



ANNUAL STATEMENT

For the Year Ended December 31, 2009
of the Condition and Affairs of the

BLUE CROSS BLUE SHIELD OF MICHIGAN

NAIC Group Code.....572, 572
(Current Period) (Prior Period)

NAIC Company Code..... 54291

Employer's ID Number..... 38-2069753

Organized under the Laws of Michigan

State of Domicile or Port of Entry Michigan

Country of Domicile US

Licensed as Business Type.....Hospital, Medical & Dental Service or

Is HMO Federally Qualified? Yes [] No [X]

Indemnity

Incorporated/Organized..... February 1, 1975

Commenced Business..... January 1, 1975

Statutory Home Office

600 Lafayette East..... Detroit MI 48226
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office

600 Lafayette East..... Detroit MI 48226
(Street and Number) (City or Town, State and Zip Code)

313-225-9000
(Area Code) (Telephone Number)

Mail Address

600 Lafayette East..... Detroit MI 48226
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records

600 Lafayette East..... Detroit MI 48226
(Street and Number) (City or Town, State and Zip Code)

313-225-9000
(Area Code) (Telephone Number)

Internet Website Address

http://bcbsm.com/

Statutory Statement Contact

Kenneth A. Bluhm
(Name)
kbluhm@bcbsm.com
(E-Mail Address)

313-225-9095
(Area Code) (Telephone Number) (Extension)
313-983-2358
(Fax Number)

OFFICERS

Name	Title	Name	Title
1. DANIEL J. LOEPP	President and CEO	2. MARK R. BARTLETT	Executive Vice President and CFO
3. CAROLYNN WALTON	Vice President and Treasurer	4. TRICIA A. KEITH	VP & Corporate Secretary

OTHER

ELIZABETH R. HARR	Senior Vice President	ROBERT MILEWSKI	Senior Vice President
KEVIN L. SEITZ	Executive Vice President	JOSEPH H HOHNER	SVP and Chief Information Officer
THOMAS L. SIMMER	Chief Medical Officer	JEANNE H. CARLSON	Senior Vice President
KENNETH R. DALLAFIOR	Senior Vice President	DARRELL E. MIDDLETON	Senior Vice President

DIRECTORS OR TRUSTEES

JAMES G. AGEE	JON E. BARFIELD	WILLIAM H. BLACK	JOHN E. BODELL D.O.
DIANE R. GODDEERIS RN	TERRY W. BURNS	BRIAN M. CONNOLLY	PATRICK J. DEVLIN
MARK T. GAFFNEY	SARAH W DOYLE	THOMAS J. HADRYCH	JOHN M. HAMILTON
TEOLA P. HUNTER	WALLACE D. RILEY	SPENCER C. JOHNSON	GARY H. TORGOW
MELVIN L. LARSEN	DANIEL J. LOEPP	F. REMINGTON SPRAGUE MD	GARY J. MCINERNEY
LIVIO MEZZA	PETER T. MULLER MD	ROBERT A. PATZER	RENEE C. AXT
CALVIN T. RAPSON	JAMES W. RICHARDS RPH	IRIS K. SALTERS	JAMES U. SETTLES
M ELIZABETH BUNN	EDWIN D SECORD III DDS	GREGORY A. SUDDERTH	S. MARTIN. TAYLOR
EMERY I. KLEIN	JANICE K. UHLIG	JOHN VANDER MOLEN	

State of.....
County of.....

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy of the enclosed statement (except for formatting differences due to electronic filing). The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
DANIEL J. LOEPP	MARK R. BARTLETT	CAROLYNN WALTON
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
President and CEO	Executive Vice President and CFO	Vice President and Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me

This _____ day of _____

a. Is this an original filing? Yes [X] No []

b. If no

1. State the amendment number _____

2. Date filed _____

3. Number of pages attached _____

BLUE CROSS BLUE SHIELD OF MICHIGAN
ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	3,054,869,475		3,054,869,475	2,815,944,685
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	528,283		528,283	3,605,386
2.2 Common stocks.....	1,667,421,123		1,667,421,123	1,417,212,153
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....	189,281,103		189,281,103	186,878,806
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....(202,125,536), Sch. E-Part 1), cash equivalents (\$.....29,057,586, Sch. E-Part 2) and short-term investments (\$.....233,590,122, Sch. DA).....	60,522,172		60,522,172	(149,593,295)
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....	106,263,234		106,263,234	74,484,378
8. Receivables for securities.....	272,447		272,447	650,655
9. Aggregate write-ins for invested assets.....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	5,079,157,837	0	5,079,157,837	4,349,182,768
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	27,088,481		27,088,481	32,727,620
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection.....	87,367,000		87,367,000	54,321,913
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			0	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....	347,574,427	27,244,045	320,330,382	241,921,772
16.1 Current federal and foreign income tax recoverable and interest thereon.....			0	5,891,429
16.2 Net deferred tax asset.....	159,860,532	44,761,841	115,098,691	80,803,585
17. Guaranty funds receivable or on deposit.....			0	
18. Electronic data processing equipment and software.....	142,656,550	100,284,046	42,372,504	47,200,732
19. Furniture and equipment, including health care delivery assets (\$.....0).....	2,075,636	2,075,636	0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....	100,977,012		100,977,012	24,481,761
22. Health care (\$.....94,213,773) and other amounts receivable.....	101,664,756	2,187,618	99,477,138	124,079,160
23. Aggregate write-ins for other than invested assets.....	336,426,144	25,818,518	310,607,626	166,934,615
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	6,384,848,375	202,371,704	6,182,476,671	5,127,545,355
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	6,384,848,375	202,371,704	6,182,476,671	5,127,545,355

DETAILS OF WRITE-INS				
0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0
2301. Miscellaneous Accounts Receivable.....	7,299,358	7,299,358	0	
2302. Prepaid and Other Assets.....	3,877,661	3,877,661	0	
2303. Advances to Providers.....	325,000,569	14,392,943	310,607,626	166,934,615
2398. Summary of remaining write-ins for Line 23 from overflow page.....	248,556	248,556	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	336,426,144	25,818,518	310,607,626	166,934,615

BLUE CROSS BLUE SHIELD OF MICHIGAN
LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	655,206,666		655,206,666	627,124,687
2. Accrued medical incentive pool and bonus amounts.....	39,680,581		39,680,581	23,413,626
3. Unpaid claims adjustment expenses.....	72,535,603		72,535,603	70,858,528
4. Aggregate health policy reserves.....	871,101,979		871,101,979	972,936,420
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....			0	
9. General expenses due or accrued.....	176,161,677		176,161,677	120,027,285
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....	4,367,031		4,367,031	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....	14,664,185		14,664,185	10,722,794
13. Remittances and items not allocated.....	8,054,499		8,054,499	6,698,023
14. Borrowed money (including \$.....0 current) and interest thereon \$.....555,635 (including \$.....0 current).....	708,521,874		708,521,874	313,420,977
15. Amounts due to parent, subsidiaries and affiliates.....	33,116,534		33,116,534	51,122,402
16. Payable for securities.....	635,697		635,697	577,184
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
18. Reinsurance in unauthorized companies.....			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
20. Liability for amounts held under uninsured plans.....	185,518,806		185,518,806	187,168,880
21. Aggregate write-ins for other liabilities (including \$.....0 current).....	850,681,531	0	850,681,531	516,068,036
22. Total liabilities (Lines 1 to 21).....	3,620,246,663	0	3,620,246,663	2,900,138,842
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX		
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	2,562,230,008	2,227,406,513
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 \$.....0).....	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 \$.....0).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	2,562,230,008	2,227,406,513
32. Total liabilities, capital and surplus (Lines 22 and 31).....	XXX	XXX	6,182,476,671	5,127,545,355

DETAILS OF WRITE-INS

2101. Postretirement Liabilities.....	641,911,365		641,911,365	392,195,296
2102. Liability for Uncashed Checks.....	11,727,738		11,727,738	10,912,275
2103. Advances to Providers.....	109,296,613		109,296,613	74,259,904
2198. Summary of remaining write-ins for Line 21 from overflow page.....	87,745,815	0	87,745,815	38,700,561
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above).....	850,681,531	0	850,681,531	516,068,036
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page.....	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above).....	XXX	XXX	0	0

BLUE CROSS BLUE SHIELD OF MICHIGAN
STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX.....	20,470,544	20,913,922
2. Net premium income (including \$.....0 non-health premium income).....	XXX.....	6,855,338,281	6,835,648,248
3. Change in unearned premium reserves and reserve for rate credits.....	XXX.....	131,055,612	(29,608,038)
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX.....		
5. Risk revenue.....	XXX.....		
6. Aggregate write-ins for other health care related revenues.....	XXX.....	0	0
7. Aggregate write-ins for other non-health revenues.....	XXX.....	0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	6,986,393,893	6,806,040,210
Hospital and Medical:			
9. Hospital/medical benefits.....		5,267,286,423	4,996,361,297
10. Other professional services.....		93,584,341	90,332,452
11. Outside referrals.....			
12. Emergency room and out-of-area.....			
13. Prescription drugs.....		972,240,062	972,615,696
14. Aggregate write-ins for other hospital and medical.....0		0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		63,875,457	49,810,223
16. Subtotal (Lines 9 to 15).....0		6,396,986,283	6,109,119,668
Less:			
17. Net reinsurance recoveries.....		1,234,786	1,256,673
18. Total hospital and medical (Lines 16 minus 17).....0		6,395,751,497	6,107,862,995
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....122,403,673 cost containment expenses.....		292,544,193	245,471,136
21. General administrative expenses.....		542,482,269	482,568,788
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....		12,117,000	(9,264,000)
23. Total underwriting deductions (Lines 18 through 22).....0		7,242,894,959	6,826,638,919
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	(256,501,066)	(20,598,709)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		194,630,230	204,760,769
26. Net realized capital gains or (losses) less capital gains tax of \$.....18,387,875.....		46,865,142	(142,041,377)
27. Net investment gains or (losses) (Lines 25 plus 26).....0		241,495,372	62,719,392
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....0		3,248,849	(14,421,621)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	(11,756,845)	27,699,062
31. Federal and foreign income taxes incurred.....	XXX.....	(24,336,120)	23,574,143
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	12,579,275	4,124,919

DETAILS OF WRITE-INS			
0601.	XXX.....		
0602.	XXX.....		
0603.	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX.....	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	0	0
0701.	XXX.....		
0702.	XXX.....		
0703.	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX.....	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. Miscellaneous Income.....		3,248,849	(14,421,621)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	3,248,849	(14,421,621)

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	2,227,406,513	2,406,089,078
34. Net income or (loss) from Line 32.....	12,579,275	4,124,919
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.0.....	322,206,647	(142,265,207)
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....	2,786,662	24,516,592
39. Change in nonadmitted assets.....	222,550,490	(65,058,869)
40. Change in unauthorized reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	(225,299,579)	0
48. Net change in capital and surplus (Lines 34 to 47).....	334,823,495	(178,682,565)
49. Capital and surplus end of reporting period (Line 33 plus 48).....	2,562,230,008	2,227,406,513

DETAILS OF WRITE-INS		
4701. Additional Pension Liability.....	(272,511,841)	
4702. Additional admitted DTA's due to SSAP 10 R.....	47,212,262	
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	(225,299,579)	0

BLUE CROSS BLUE SHIELD OF MICHIGAN
CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	6,822,357,870	6,808,904,325
2. Net investment income.....	170,915,714	166,613,739
3. Miscellaneous income.....		(17,372,470)
4. Total (Lines 1 through 3).....	6,993,273,584	6,958,145,594
5. Benefit and loss related payments.....	6,351,402,563	6,355,588,523
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	769,962,841	663,831,666
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....18,387,875 tax on capital gains (losses).....	(16,206,705)	11,587,260
10. Total (Lines 5 through 9).....	7,105,158,699	7,031,007,449
11. Net cash from operations (Line 4 minus Line 10).....	(111,885,115)	(72,861,855)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	2,902,909,477	2,715,210,524
12.2 Stocks.....	291,984,107	254,655,528
12.3 Mortgage loans.....		
12.4 Real estate.....	16,201,525	2,474,235
12.5 Other invested assets.....		7,798,439
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	182,249	
12.7 Miscellaneous proceeds.....	436,721	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	3,211,714,079	2,980,138,726
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	3,052,484,213	2,873,185,262
13.2 Stocks.....	180,506,619	295,247,369
13.3 Mortgage loans.....		
13.4 Real estate.....	24,241,577	9,545,640
13.5 Other invested assets.....	33,786,242	22,106,642
13.6 Miscellaneous applications.....		45,884,015
13.7 Total investments acquired (Lines 13.1 to 13.6).....	3,291,018,651	3,245,968,928
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....	(79,304,571)	(265,830,202)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....	394,966,239	175,458,871
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	6,338,914	(60,268,571)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	401,305,153	115,190,300
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	210,115,467	(223,501,757)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	(149,593,294)	73,908,463
19.2 End of year (Line 18 plus Line 19.1).....	60,522,173	(149,593,294)
Note: Supplemental disclosures of cash flow information for non-cash transactions:		
20.0001		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1.	Comprehensive (hospital and medical).....	4,672,344,378		1,785,372	4,670,559,006
2.	Medicare supplement.....	275,650,959			275,650,959
3.	Dental only.....	79,030,458			79,030,458
4.	Vision only.....	17,169,919			17,169,919
5.	Federal employees health benefits plan.....	350,705,744			350,705,744
6.	Title XVIII - Medicare.....	1,181,964,998			1,181,964,998
7.	Title XIX - Medicaid.....				0
8.	Other health.....	280,257,197			280,257,197
9.	Health subtotal (Lines 1 through 8).....	6,857,123,653	0	1,785,372	6,855,338,281
10.	Life.....				0
11.	Property/casualty.....				0
12.	Totals (Lines 9 to 11).....	6,857,123,653	0	1,785,372	6,855,338,281

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct.....	6,305,028,847	4,211,710,918	418,501,012	71,922,091	13,134,553	320,077,829	1,035,497,111		234,185,333	
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	1,234,786	1,234,786								
1.4 Net.....	6,303,794,061	4,210,476,132	418,501,012	71,922,091	13,134,553	320,077,829	1,035,497,111	0	234,185,333	0
2. Paid medical incentive pools and bonuses.....	47,608,502	47,608,502								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct.....	655,206,667	374,147,709	60,699,859	3,146,217	562,157	39,658,581	154,509,438		22,482,706	
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	655,206,667	374,147,709	60,699,859	3,146,217	562,157	39,658,581	154,509,438	0	22,482,706	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct.....	0									
4.2 Reinsurance assumed.....	0									
4.3 Reinsurance ceded.....	0									
4.4 Net.....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	39,680,581	39,680,581								
6. Net healthcare receivables (a).....	0									
7. Amounts recoverable from reinsurers December 31, current year.....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct.....	627,124,687	365,980,538	65,019,235	3,165,788	774,168	36,922,686	134,080,854		21,181,418	
8.2 Reinsurance assumed.....	0									
8.3 Reinsurance ceded.....	0									
8.4 Net.....	627,124,687	365,980,538	65,019,235	3,165,788	774,168	36,922,686	134,080,854	0	21,181,418	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct.....	0									
9.2 Reinsurance assumed.....	0									
9.3 Reinsurance ceded.....	0									
9.4 Net.....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	23,413,626	23,413,626								
11. Amounts recoverable from reinsurers December 31, prior year.....	0									
12. Incurred benefits:										
12.1 Direct.....	6,333,110,827	4,219,878,089	414,181,636	71,902,520	12,922,542	322,813,724	1,055,925,695	0	235,486,621	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	1,234,786	1,234,786	0	0	0	0	0	0	0	0
12.4 Net.....	6,331,876,041	4,218,643,303	414,181,636	71,902,520	12,922,542	322,813,724	1,055,925,695	0	235,486,621	0
13. Incurred medical incentive pools and bonuses.....	63,875,457	63,875,457	0	0	0	0	0	0	0	0

(a) Excludes \$.0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in process of adjustment:										
1.1 Direct.....	28,763,015	4,154,172	671,641	169,284	21	438,820	22,887,006		442,071	
1.2 Reinsurance assumed.....	0									
1.3 Reinsurance ceded.....	0									
1.4 Net.....	28,763,015	4,154,172	671,641	169,284	21	438,820	22,887,006	0	442,071	0
2. Incurred but unreported:										
2.1 Direct.....	626,443,651	369,993,538	60,028,218	2,976,933	562,135	39,219,760	131,622,433		22,040,634	
2.2 Reinsurance assumed.....	0									
2.3 Reinsurance ceded.....	0									
2.4 Net.....	626,443,651	369,993,538	60,028,218	2,976,933	562,135	39,219,760	131,622,433	0	22,040,634	0
3. Amounts withheld from paid claims and capitations:										
3.1 Direct.....	0									
3.2 Reinsurance assumed.....	0									
3.3 Reinsurance ceded.....	0									
3.4 Net.....	0	0	0	0	0	0	0	0	0	0
4. Totals:										
4.1 Direct.....	655,206,666	374,147,710	60,699,859	3,146,217	562,156	39,658,580	154,509,439	0	22,482,705	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	655,206,666	374,147,710	60,699,859	3,146,217	562,156	39,658,580	154,509,439	0	22,482,705	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical).....	324,811,942	3,935,506,962	29,004,774	345,142,935	353,816,716	365,980,538
2. Medicare supplement.....	55,349,104	363,151,908	3,937,155	56,762,704	59,286,259	65,019,235
3. Dental only.....	3,936,906	67,985,185	46,267	3,099,949	3,983,173	3,165,788
4. Vision only.....	754,600	12,379,953	1,982	560,175	756,582	774,168
5. Federal employees health benefits plan.....	35,780,511	284,297,318	1,624,681	38,033,900	37,405,192	36,922,686
6. Title XVIII - Medicare.....	101,776,956	933,720,155	11,381,524	143,127,914	113,158,480	134,080,854
7. Title XIX - Medicaid.....					0	
8. Other health.....	30,209,857	203,975,476	104,344	22,378,362	30,314,201	21,181,418
9. Health subtotal (Lines 1 to 8).....	552,619,876	5,801,016,957	46,100,727	609,105,939	598,720,603	627,124,687
10. Healthcare receivables (a).....		49,842,773			0	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....	12,163,880	35,444,622	553,690	39,126,891	12,717,570	23,413,626
13. Totals (Lines 9 - 10 + 11 + 12).....	564,783,756	5,786,618,806	46,654,417	648,232,830	611,438,173	650,538,313

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	.....432,979	.....1,674	.....160	.....488	.....
2. 2005.....	.....4,350,506	.....438,737	.....2,723	.....974	.....174
3. 2006.....	.....XXX	.....4,700,487	.....523,351	.....1,226	.....846
4. 2007.....	.....XXX	.....XXX	.....5,102,894	.....516,415	.....2,400
5. 2008.....	.....XXX	.....XXX	.....XXX	.....5,607,554	.....561,364
6. 2009.....	.....XXX	.....XXX	.....XXX	.....XXX	.....5,786,619

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	.....490,278	.....17,504	.....229	.....448	.....
2. 2005.....	.....4,273,747	.....443,124	.....23,648	.....1,083	.....200
3. 2006.....	.....XXX	.....4,744,598	.....484,329	.....27,178	.....2,898
4. 2007.....	.....XXX	.....XXX	.....5,177,181	.....473,068	.....27,623
5. 2008.....	.....XXX	.....XXX	.....XXX	.....5,606,089	.....513,376
6. 2009.....	.....XXX	.....XXX	.....XXX	.....XXX	.....5,851,655

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	.....5,523,155	.....4,793,114	.....8	.....0.0	.....4,793,122	.....86.8	.....	.....	.....4,793,122	.....86.8
2. 2006.....	.....5,805,420	.....5,225,910	.....38	.....0.0	.....5,225,948	.....90.0	.....221	.....23	.....5,226,192	.....90.0
3. 2007.....	.....6,169,179	.....5,621,709	.....111	.....0.0	.....5,621,820	.....91.1	.....6,147	.....642	.....5,628,609	.....91.2
4. 2008.....	.....6,806,040	.....6,168,917	.....25,855	.....0.4	.....6,194,772	.....91.0	.....39,730	.....4,148	.....6,238,650	.....91.7
5. 2009.....	.....6,986,394	.....5,836,461	.....266,530	.....4.6	.....6,102,991	.....87.4	.....648,787	.....67,723	.....6,819,501	.....97.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	359,808	(98)	48	423	
2. 2005.....	3,688,185	359,904	1,287	734	127
3. 2006.....	XXX	3,750,008	371,750	(2,075)	593
4. 2007.....	XXX	XXX	3,832,620	335,330	906
5. 2008.....	XXX	XXX	XXX	3,924,903	335,350
6. 2009.....	XXX	XXX	XXX	XXX	3,921,109

SECTION B - INCURRED HEALTH CLAIMS - HOSPITAL AND MEDICAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	409,968	(472)	58	383	
2. 2005.....	3,625,719	361,007	1,443	784	114
3. 2006.....	XXX	3,742,790	335,692	(681)	554
4. 2007.....	XXX	XXX	3,857,460	304,939	1,555
5. 2008.....	XXX	XXX	XXX	3,928,923	304,614
6. 2009.....	XXX	XXX	XXX	XXX	3,975,682

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	4,845,912	4,050,237	6	0.0	4,050,243	83.6			4,050,243	83.6
2. 2006.....	4,789,834	4,120,276	27	0.0	4,120,303	86.0	157	16	4,120,476	86.0
3. 2007.....	4,791,046	4,168,856	42	0.0	4,168,898	87.0	5,503	574	4,174,975	87.1
4. 2008.....	4,930,917	4,260,253	15,446	0.4	4,275,699	86.7	23,344	2,437	4,301,480	87.2
5. 2009.....	4,809,234	3,970,952	180,605	4.5	4,151,557	86.3	384,824	40,170	4,576,551	95.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	45,082	947	(104)	30	
2. 2005.....	310,622	49,224	305	61	9
3. 2006.....	XXX	323,387	53,293	689	73
4. 2007.....	XXX	XXX	330,193	54,683	1,155
5. 2008.....	XXX	XXX	XXX	338,940	54,112
6. 2009.....	XXX	XXX	XXX	XXX	363,152

SECTION B - INCURRED HEALTH CLAIMS - MEDICARE SUPPLEMENT

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	43,005	917	(89)	27	
2. 2005.....	310,716	44,321	283	61	8
3. 2006.....	XXX	333,402	46,989	704	73
4. 2007.....	XXX	XXX	334,072	49,478	1,108
5. 2008.....	XXX	XXX	XXX	349,467	48,598
6. 2009.....	XXX	XXX	XXX	XXX	364,395

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - MEDICARE SUPPLEMENT

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	223,683	360,221		0.0	360,221	161.0			360,221	161.0
2. 2006.....	221,430	377,442	3	0.0	377,445	170.5	36	4	377,485	170.5
3. 2007.....	224,714	386,031	53	0.0	386,084	171.8	360	38	386,482	172.0
4. 2008.....	255,536	393,052	2,492	0.6	395,544	154.8	3,541	370	399,455	156.3
5. 2009.....	265,543	363,152	16,727	4.6	379,879	143.1	56,763	5,925	442,567	166.7

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	3,678	73	1	1	
2. 2005.....	62,409	3,331	45	1	(1)
3. 2006.....	XXX	63,714	3,086	55	2
4. 2007.....	XXX	XXX	59,408	3,107	61
5. 2008.....	XXX	XXX	XXX	67,500	3,874
6. 2009.....	XXX	XXX	XXX	XXX	67,985

SECTION B - INCURRED HEALTH CLAIMS - DENTAL ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	3,805	74	1	1	
2. 2005.....	61,417	3,432	43	1	(2)
3. 2006.....	XXX	63,866	2,952	56	2
4. 2007.....	XXX	XXX	59,738	3,244	54
5. 2008.....	XXX	XXX	XXX	66,957	3,448
6. 2009.....	XXX	XXX	XXX	XXX	68,399

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	81,150	65,785		0.0	65,785	81.1			65,785	81.1
2. 2006.....	78,449	66,857		0.0	66,857	85.2			66,857	85.2
3. 2007.....	73,954	62,576	3	0.0	62,579	84.6			62,579	84.6
4. 2008.....	82,779	71,374	178	0.2	71,552	86.4	46	5	71,603	86.5
5. 2009.....	82,387	67,985	3,131	4.6	71,116	86.3	3,100	324	74,540	90.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	840	5	1		
2. 2005.....	11,054	753	3		
3. 2006.....	XXX	11,573	698	2	
4. 2007.....	XXX	XXX	10,194	660	2
5. 2008.....	XXX	XXX	XXX	12,719	753
6. 2009.....	XXX	XXX	XXX	XXX	12,380

SECTION B - INCURRED HEALTH CLAIMS - VISION ONLY

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	692	13			
2. 2005.....	11,168	628	8		
3. 2006.....	XXX	11,627	515	11	
4. 2007.....	XXX	XXX	10,421	620	10
5. 2008.....	XXX	XXX	XXX	12,795	620
6. 2009.....	XXX	XXX	XXX	XXX	12,293

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	16,032	11,810		0.0	11,810	73.7			11,810	73.7
2. 2006.....	15,403	12,273		0.0	12,273	79.7			12,273	79.7
3. 2007.....	13,844	10,856		0.0	10,856	78.4			10,856	78.4
4. 2008.....	17,485	13,472	35	0.3	13,507	77.2	2		13,509	77.3
5. 2009.....	18,278	12,380	570	4.6	12,950	70.9	560	58	13,568	74.2

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	23,038	747	214	34	
2. 2005.....	197,242	24,982	547	178	39
3. 2006.....	XXX	220,777	25,189	626	133
4. 2007.....	XXX	XXX	257,922	30,134	1,186
5. 2008.....	XXX	XXX	XXX	272,338	34,422
6. 2009.....	XXX	XXX	XXX	XXX	284,297

SECTION B - INCURRED HEALTH CLAIMS - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	29,390	16,972	259	37	
2. 2005.....	182,136	28,629	21,380	206	41
3. 2006.....	XXX	203,057	28,882	25,189	171
4. 2007.....	XXX	XXX	237,466	34,398	25,684
5. 2008.....	XXX	XXX	XXX	245,952	37,723
6. 2009.....	XXX	XXX	XXX	XXX	259,196

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - FEDERAL EMPLOYEES HEALTH BENEFITS PLAN PREMIUM

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	227,348	223,018	2	0.0	223,020	98.1			223,020	98.1
2. 2006.....	270,742	246,725	6	0.0	246,731	91.1	28	3	246,762	91.1
3. 2007.....	314,059	289,242	55	0.0	289,297	92.1	284	30	289,611	92.2
4. 2008.....	330,689	306,760	1,585	0.5	308,345	93.2	1,312	137	309,794	93.7
5. 2009.....	348,123	284,297	13,095	4.6	297,392	85.4	38,034	3,970	339,396	97.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....	246		536		
3. 2006.....	XXX	168,721	44,436	1,929	45
4. 2007.....	XXX	XXX	435,359	74,119	(910)
5. 2008.....	XXX	XXX	XXX	776,585	102,642
6. 2009.....	XXX	XXX	XXX	XXX	933,720

SECTION B - INCURRED HEALTH CLAIMS - TITLE XVIII - MEDICARE

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....					
2. 2005.....	6,262		491	31	38
3. 2006.....	XXX	220,336	41,128	1,899	2,098
4. 2007.....	XXX	XXX	493,845	60,954	(788)
5. 2008.....	XXX	XXX	XXX	811,069	88,059
6. 2009.....	XXX	XXX	XXX	XXX	966,519

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XVIII - MEDICARE

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	6,870	782		0.0	782	11.4			782	11.4
2. 2006.....	227,684	215,131	2	0.0	215,133	94.5			215,133	94.5
3. 2007.....	532,024	508,568	(42)	(0.0)	508,526	95.6			508,526	95.6
4. 2008.....	941,815	879,227	4,728	0.5	883,955	93.9	11,381	1,188	896,524	95.2
5. 2009.....	1,182,572	933,720	43,007	4.6	976,727	82.6	143,128	14,940	1,134,795	96.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	NONE				
2. 2005.....					
3. 2006.....		XXX			
4. 2007.....		XXX	XXX		
5. 2008.....		XXX	XXX	XXX	
6. 2009.....		XXX	XXX	XXX	

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	NONE				
2. 2005.....					
3. 2006.....		XXX			
4. 2007.....		XXX	XXX		
5. 2008.....		XXX	XXX	XXX	
6. 2009.....		XXX	XXX	XXX	

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....				0.0	0	0.0			0	0.0
2. 2006.....				0.0	0	0.0			0	0.0
3. 2007.....				0.0	0	0.0			0	0.0
4. 2008.....				0.0	0	0.0			0	0.0
5. 2009.....				0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	533				
2. 2005.....	80,718	543			
3. 2006.....	XXX	162,307	24,899		
4. 2007.....	XXX	XXX	177,198	18,382	
5. 2008.....	XXX	XXX	XXX	214,569	30,210
6. 2009.....	XXX	XXX	XXX	XXX	203,975

SECTION B - INCURRED HEALTH CLAIMS - OTHER

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior.....	3,418				
2. 2005.....	76,329	5,107			
3. 2006.....	XXX	169,520	28,171		
4. 2007.....	XXX	XXX	184,179	19,435	
5. 2008.....	XXX	XXX	XXX	190,926	30,314
6. 2009.....	XXX	XXX	XXX	XXX	205,172

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2005.....	122,160	81,261		0.0	81,261	66.5			81,261	66.5
2. 2006.....	201,878	187,206		0.0	187,206	92.7			187,206	92.7
3. 2007.....	219,538	195,580		0.0	195,580	89.1			195,580	89.1
4. 2008.....	246,819	244,779	1,391	0.6	246,170	99.7	104	11	246,285	99.8
5. 2009.....	280,257	203,975	9,395	4.6	213,370	76.1	22,378	2,336	238,084	85.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
POLICY RESERVE									
1. Unearned premium reserves.....	214,993,261	180,309,710	25,970,881	2,343,864	388,891	211,803	5,963,818		(195,706)
2. Additional policy reserves (a).....	359,553,068	92,621,393	265,194,000	1,734,984	2,691				
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$.....0) for investment income.....	296,555,650	257,275,685	288,452	54,533	(587,041)	10,970,675	28,851,333		(297,987)
5. Aggregate write-ins for other policy reserves.....	0	0	0	0	0	0	0	0	0
6. Totals (gross).....	871,101,979	530,206,788	291,453,333	4,133,381	(195,459)	11,182,478	34,815,151	0	(493,693)
7. Reinsurance ceded.....	0								
8. Totals (net) (Page 3, Line 4).....	871,101,979	530,206,788	291,453,333	4,133,381	(195,459)	11,182,478	34,815,151	0	(493,693)
CLAIM RESERVE									
9. Present value of amounts not yet due on claims.....	0								
10. Reserve for future contingent benefits.....	0								
11. Aggregate write-ins for other claim reserves.....	0	0	0	0	0	0	0	0	0
12. Totals (gross).....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded.....	0								
14. Totals (net) (Page 3, Line 7).....	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.	0								
0502.	0								
0503.	0								
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0	0	0	0	0	0	0
1101.	0								
1102.	0								
1103.	0								
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0	0	0	0	0	0

(a) Includes \$.....359,553,068 premium deficiency reserve.

BLUE CROSS BLUE SHIELD OF MICHIGAN
UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
			General Administrative Expenses	Investment Expenses	Total
1. Rent (\$.....42,984,332 for occupancy of own building).....	.....5,369,714	.....10,719,114	.....31,366,552	.....73,397	.....47,528,777
2. Salaries, wages and other benefits.....	.....100,057,131	.....184,175,867	.....376,894,509	.....730,498	.....661,858,005
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			206,235,190		206,235,190
4. Legal fees and expenses.....			3,913,837		3,913,837
5. Certifications and accreditation fees.....	27,038				27,038
6. Auditing, actuarial and other consulting services.....	36,048,162	328,035	68,147,827	101,538	104,625,562
7. Traveling expenses.....	1,163,633	935,017	10,082,302	9,143	12,190,095
8. Marketing and advertising.....	3,443		10,190,725		10,194,168
9. Postage, express and telephone.....	1,956,443	10,993,810	14,251,361	1,555	27,203,169
10. Printing and office supplies.....	728,074	1,108,822	4,347,224	198,897	6,383,017
11. Occupancy, depreciation and amortization.....	1,342,642	2,669,797	6,761,894	18,281	10,792,614
12. Equipment.....					0
13. Cost or depreciation of EDP equipment and software.....	5,374,218	6,389,035	86,918,804	28,953	98,711,010
14. Outsourced services including EDP, claims, and other services.....	64,912,549	89,570,005	120,545,766	173,044	275,201,364
15. Boards, bureaus and association fees.....	225,381	9,899	12,150,120	2,913	12,388,313
16. Insurance, except on real estate.....	2,354	586	2,199,194	11,051	2,213,185
17. Collection and bank service charges.....				212	212
18. Group service and administration fees.....	12,621,778	9,800,208	68,147,870		90,569,856
19. Reimbursements by uninsured plans.....	(112,922,344)	(156,961,519)	(501,738,262)		(771,622,125)
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			1,460,767		1,460,767
23.4 Payroll taxes.....	5,493,457	10,401,846	20,606,586	34,099	36,535,988
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	0	0	0	0
26. Total expenses incurred (Lines 1 to 25).....	122,403,673	170,140,522	542,482,266	1,383,581	(a)...836,410,042
27. Less expenses unpaid December 31, current year.....		72,535,603	176,161,677		248,697,280
28. Add expenses unpaid December 31, prior year.....		70,858,528	120,027,285		190,885,813
29. Amounts receivable relating to uninsured plans, prior year.....		81,358,292	160,563,480		241,921,772
30. Amounts receivable relating to uninsured plans, current year.....		112,038,754	208,291,627		320,330,381
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	122,403,673	199,143,909	534,076,021	1,383,581	857,007,184

DETAILS OF WRITE-INS

2501.					0
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	0	0	0	0

(a) Includes management fees of \$.....3,107,055 to affiliates and \$.....158,543,677 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....16,701,717	.....9,991,572
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....138,606,243	.....141,100,928
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....76,904	.....76,904
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....12,942,186	.....9,866,244
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....821,062
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....1,824,920	.....2,656,120
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....1,107,004	.....44,091,336
10. Total gross investment income.....	.....171,258,974	.....208,604,166
11. Investment expenses.....		(g).....1,349,482
12. Investment taxes, licenses and fees, excluding federal income taxes.....		(g).....34,099
13. Interest expense.....		(h).....
14. Depreciation on real estate and other invested assets.....		(i).....12,590,355
15. Aggregate write-ins for deductions from investment income.....		.....0
16. Total deductions (Lines 11 through 15).....		.....13,973,936
17. Net investment income (Line 10 minus Line 16).....		.....194,630,230

DETAILS OF WRITE-INS		
0901. SECURITY LENDING INCOME.....	.....2,922,030	.....2,922,030
0902. MANAGEMENT FEES.....	.....(1,859,596)	.....(1,859,596)
0903. HOME OFFICE RENT.....	.....	.....42,984,332
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....44,570	.....44,570
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....1,107,004	.....44,091,336
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page.....		.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....		.....0

- (a) Includes \$.....18,434,378 accrual of discount less \$.....19,340,042 amortization of premium and less \$.....17,481,008 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....1,019,664 accrual of discount less \$.....1,055,243 amortization of premium and less \$.....2,721,725 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....12,590,355 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....76,906,315	.....	.....76,906,315	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....26,070,099	.....(32,631,840)	.....(6,561,741)	.....19,573,214	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....337,583	.....(4,799,520)	.....(4,461,937)	.....1,742,244	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....9,747,887	.....(14,437,985)	.....(4,690,098)	.....93,265,040	.....
2.21 Common stocks of affiliates.....	.....26,284,422	.....(27,426,178)	.....(1,141,756)	.....206,864,000	.....
3. Mortgage loans.....	.....	.....	.....0	.....	.....
4. Real estate.....	.....5,082,036	.....	.....5,082,036	.....	.....
5. Contract loans.....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments.....	.....182,249	.....(62,051)	.....120,198	.....(567)	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....	.....	.....0	.....762,717	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....144,610,591	.....(79,357,574)	.....65,253,017	.....322,206,648	.....0

DETAILS OF WRITE-INS					
0901. ....	.....	.....	.....0	.....	.....
0902. ....	.....	.....	.....0	.....	.....
0903. ....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page..	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.....0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.....0
2.2 Common stocks.....			.....0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.....0
3.2 Other than first liens.....			.....0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.....0
4.2 Properties held for the production of income.....			.....0
4.3 Properties held for sale.....			.....0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.....0
6. Contract loans.....			.....0
7. Other invested assets (Schedule BA).....			.....0
8. Receivables for securities.....			.....0
9. Aggregate write-ins for invested assets.....	.....0	.....0	.....0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	.....0	.....0	.....0
11. Title plants (for Title insurers only).....			.....0
12. Investment income due and accrued.....			.....0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection.....		.....64,676	.....64,676
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.....0
13.3 Accrued retrospective premiums.....			.....0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers.....			.....0
14.2 Funds held by or deposited with reinsured companies.....			.....0
14.3 Other amounts receivable under reinsurance contracts.....			.....0
15. Amounts receivable relating to uninsured plans.....	.....27,244,045	.....13,534,222	.....(13,709,823)
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.....0
16.2 Net deferred tax asset.....	.....44,761,841	.....118,175,622	.....73,413,781
17. Guaranty funds receivable or on deposit.....			.....0
18. Electronic data processing equipment and software.....	.....100,284,046	.....111,368,520	.....11,084,474
19. Furniture and equipment, including health care delivery assets.....	.....2,075,636	.....22,087,597	.....20,011,961
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.....0
21. Receivables from parent, subsidiaries and affiliates.....			.....0
22. Health care and other amounts receivable.....	.....2,187,618	.....4,139,738	.....1,952,120
23. Aggregate write-ins for other than invested assets.....	.....25,818,518	.....202,764,081	.....176,945,563
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	.....202,371,704	.....472,134,456	.....269,762,752
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.....0
26. TOTALS (Lines 24 and 25).....	.....202,371,704	.....472,134,456	.....269,762,752

DETAILS OF WRITE-INS

0901.....			.....0
0902.....			.....0
0903.....			.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0
2301. Miscellaneous Accounts Receivable.....	.....7,299,358	.....5,408,730	.....(1,890,628)
2302. Prepaid and Other Assets.....	.....3,877,661	.....9,712,304	.....5,834,643
2303. Company Owned Automobile.....	.....248,556	.....329,924	.....81,368
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.....14,392,943	.....187,313,123	.....172,920,180
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	.....25,818,518	.....202,764,081	.....176,945,563

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....	1,277,188	1,264,494	1,253,839	1,239,102	1,233,624	15,027,632
4. Point of service.....	30,267	20,153	18,103	15,349	9,372	202,194
5. Indemnity only.....	422,078	441,678	437,151	431,863	423,427	5,231,558
6. Aggregate write-ins for other lines of business.....	779	775	758	760	756	9,160
7. Total.....	1,730,312	1,727,100	1,709,851	1,687,074	1,667,179	20,470,544

DETAILS OF WRITE-INS

0601. National Stoploss.....	104	104	103	110	109	1,282
0602. Local Stoploss.....	675	671	655	650	647	7,878
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	779	775	758	760	756	9,160

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Accounting Practices**

Blue Cross Blue Shield of Michigan (the "Company") is incorporated as a nonprofit health care corporation under the provisions of Public Act 350 of 1980 ("P.A. 350") of the state of Michigan. Hospital, medical, and other health benefits are provided under contracts with subscribers. The Company also operates health maintenance organization ("HMO") subsidiaries that provide health care services to subscribers and contracts with various physician groups, hospitals, and other health care providers to provide such services. In addition, the Company operates subsidiaries that provide workers' compensation and long-term care insurance. During the year, the Company sold its dental and provider network subsidiary. Also, in 2009, one of its subsidiaries merged with its long-term care insurance subsidiary.

Michigan Office of Financial and Insurance Regulation ("OFIR") adopted the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* ("NAIC SAP") as the basis for its statutory basis accounting practices. The Commissioner of OFIR has the right to prescribe or permit other specific practices that may deviate from the Accounting Practices and Procedures promulgated by the NAIC. The accompanying statutory basis financial statements have been prepared in conformity with accounting practices prescribed or permitted by OFIR.

In 2008, at the direction of OFIR, the Company limited its provision for Premium Deficiency losses not to exceed a two year time period. This deviates from the NAIC Accounting Practices and Procedures manual as prescribed in SSAP No. 54, *Individual and Group Accident and Health Contracts* that requires all reasonable foreseen losses be accrued. If the Company's Premium Deficiency Reserve losses were not limited to a two-year period, statutory surplus would be decreased by \$248,500,000 and \$197,000,000 at December 31, 2009 and 2008, respectively. Additionally, net income would be decreased by \$51,906,000 and \$197,000,000, respectively for the years then ended December 31, 2009 and 2008.

In 2009, OFIR approved the Company's permitted practice request regarding the determination of the admitted asset attributable to hospital advances pursuant to paragraph 16 of SSAP No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans*. The permitted practice allows the Company to admit net hospital advances attributable to self-funded contract claims to the extent of the unpaid hospital incurred claims owed by the Company to the hospital. The permitted practice resulted in an increase to the statutory surplus as of December 31, 2009 of \$64,700,000. The permitted practice had no impact to net income for the year ended December 31, 2009.

A reconciliation of the Company's net income and capital and surplus between OFIR permitted and prescribed practices and NAIC SAP as of December 31, 2009 and 2008 is as follows:

	2009	2008
Net Income - MI OFIR	\$ 12,579,275	\$ 4,124,919
<i>MI OFIR Prescribed Practice</i>		
Two-Year Limitation on Premium		
Deficiency Reserves	(51,906,000)	(197,000,000)
<i>MI OFIR Permitted Practice</i>		
Hospital Advances for Self-Funded Claims	-	-
Net Income - NAIC SAP	<u>\$ (39,326,725)</u>	<u>\$ (192,875,081)</u>
Statutory Surplus - MI OFIR	\$ 2,562,230,008	\$ 2,227,406,513
<i>MI OFIR Prescribed Practice</i>		
Two-Year Limitation on Premium		
Deficiency Reserves	(248,500,000)	(197,000,000)
Deferred Tax Impact of Two-Year PDR		
limit	49,700,000	39,400,000
Change in Non-admitted Assets	(22,600,000)	(39,400,000)
<i>MI OFIR Permitted Practice</i>		
Hospital Advances for Self-Funded Claims	(64,700,000)	-
Statutory Surplus - NAIC SAP	<u>\$ 2,276,130,008</u>	<u>\$ 2,030,406,513</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory-basis financial statements, in conformity with the Annual Statement instructions and accounting practices prescribed or permitted by OFIR, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the statutory-basis financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

1. **Short-Term Investments** - Short-term investments and cash equivalents are recorded at amortized cost, which approximates market value, and include commercial paper, certificates of deposits, and other readily marketable investments with initial maturities less than one year for short-term investments and three months or less for cash equivalents.
2. **Bonds** - Bonds not backed by other loans that have an NAIC designation of one or two are stated at amortized cost using the effective interest method. Bonds with an NAIC designation of three or higher are carried at the lower of amortized cost or fair market value.
3. **Common Stocks** - Common stocks are valued at fair value. Changes in unrealized appreciation and depreciation in the value of common stocks are reflected as direct increases or decreases in surplus.

4. Preferred Stocks - Preferred stocks are stated at book value for NAIC classes one and two and lower of book value or market for NAIC classes three through six.
5. Mortgage loans on real estate – The Company does not have mortgage loans.
6. Loan-backed securities are stated at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase. Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchases assumptions are accounted for using the prospective method. Should the present value of anticipated cash flows collected be less than the amortized cost basis, a determination will be made on whether the decline in value is other than temporary. If the Company has the ability and intent to hold security to maturity but does not expect recovery of the carrying value, the credit portion of the decline is recognized as an impairment loss.
7. Investment in Subsidiaries and Goodwill - The Company uses the equity method and follows NAIC SAP in valuing its subsidiaries. In accordance with SSAP No. 68, Business Combinations and Goodwill, the Company reports its investments in subsidiaries inclusive of related goodwill balances. Included in the Company's common stock balance are the investments in Blue Care Network of Michigan (BCNM) and Accident Fund Holdings, Inc. (AFHI). Goodwill is amortized over 10 years. Goodwill amortization recognized for the years ended December 31, 2009 and 2008, totaled \$6,663,900 and \$9,089,000 respectively. The carrying value of these assets is reviewed for impairment at least annually or more frequently should circumstances indicate. The Company completed its annual impairment tests as of December 31, 2009 and 2008, and no impairment was indicated.

The remaining goodwill and intangible asset balance attributable to the Company's acquisition of Michigan Health Insurance Corporation (MHIC) amounting to \$21,252,000 was written off due to the merger of MHIC with LifeSecure on March 31, 2009. The goodwill limitation calculated based on SSAP No. 68 at December 31, 2009 was \$235,517,211, and the Company's actual goodwill balance was \$26,655,600. As of December 31, 2009 and 2008, the Company's goodwill balances were fully admissible.

As of December 31, 2009 and 2008, the breakdown between goodwill and investments in subsidiaries is shown below.

	December 31, 2009 Statement Value	December 31, 2008 Statement Value
Common Stock Investments in Subsidiaries:		
Investment in BCNM*	\$ 423,459,780	\$ 343,228,000
Investment in Accident Fund Holdings, Inc	689,923,000	577,274,030
AFHI goodwill	26,655,600	33,319,500
Investment in Dentemax		-
DenteMax Goodwill		689,500
Investment in LifeSecure	9,749,000	12,165,000
Investment in MHIC		8,496,000
MHIC Goodwill		18,453,600
	<hr/>	<hr/>
Amount included in common stock	<u>\$ 1,149,787,380</u>	<u>\$ 993,625,630</u>
Summary:		
Investment in Subsidiaries	\$ 1,123,131,780	\$ 941,163,030
Goodwill	26,655,600	52,462,600
	<hr/>	<hr/>
Total	<u>\$ 1,149,787,380</u>	<u>\$ 993,625,630</u>

* Includes investments in BCNM, Blue Care of Michigan Inc, Blue Care Network Medical Malpractice Self-Insurance Trust, Blue Care Network Stop-Loss, and Casualty Self-Insurance Trust.

On June 30, 2009, the Company sold its Dentemax subsidiary to Dental Network of America LLC, a leader in the dental industry for \$45,001,960, resulting in a net gain from sale after final true-up of \$26,284,422. The sale helped to facilitate enhanced dental products to our customers and solidify the Company's position as a major carrier in the dental marketplace now and into the future.

8. Investments in Joint Ventures, Partnerships and Limited Liability Companies - The Company has minor ownership interests in partnerships and limited liability companies. The Company carries the investment in partnership based on the underlying audited GAAP equity of the partnership. BCBSM's investment in National Account Service Company (NASCO) was reported as per SSAP 97 (8)(b)(ii).
9. Derivatives – NOT APPLICABLE
10. Premium Deficiency Reserve - A liability for premium deficiency losses is recognized when it is probable that expected claim losses and allocable administrative expenses will exceed future premiums on existing health and other contracts without consideration of investment income. For purposes of premium deficiency losses, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing and measuring the profitability of such contracts. Premium deficiency losses are generally released over the period that the contract is in a loss position. As disclosed in Note 29, the time period for premium deficiency calculations is limited to two years in accordance with OFIR prescribed practice.
11. Liabilities for Unpaid Claim, Claim Adjustment Expenses, and Advances to Providers
 - Liabilities for unpaid claims and claim adjustment expenses are actuarial estimates

of outstanding claims, including claims incurred but not reported ("IBNR"). These estimates are based upon historical claims experience modified for current trends and changes in benefit coverage, which could vary as the claims are ultimately settled. Interim hospital advances are reported as advances to providers. Processing expense related to claims is accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise.

12. Capitalization Policy – The Company has not modified its capitalization policy and meets the requirements of SSAP No. 87, Capitalization Policy.
13. Pharmaceutical Rebate Receivables – Pharmaceutical rebate accruals are calculated using recent history of rebates received to develop an estimate.
14. Real Estate – Real property occupied by the Company is stated at cost, less accumulated depreciation of \$189,281,000 and \$186,879,000 at December 31, 2009 and 2008, respectively. Depreciation is calculated using the straight-line method over estimated useful lives ranging from 30 to 40 years for buildings. Depreciation expense was \$12,590,000 and \$12,514,000 for the years ended December 31, 2009 and 2008, respectively. Statutory basis investment income and operating expenses include rent for the Company's occupancy of this property. At December 31, 2009 and 2008, the related rental income and expense recorded on this property totaled \$42,984,000 and \$43,346,000, respectively.
15. Long-Lived Assets - Long-lived assets held and used by the Company are reviewed for impairment based on market factors and operational considerations whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.
16. Premiums and Fee Revenues - Premiums, which generally are billed in advance, are recognized as revenue during the respective periods of coverage. Premiums applicable to the unexpired portion of coverage are reflected in the accompanying statements of admitted assets, liabilities, and surplus — statutory basis as aggregate health policy reserves.

Fee revenue primarily consists of administrative fees for services provided under administrative service contracts (ASC), including management of medical services, claims processing, and access to provider networks. Under ASC arrangements, self-funded groups retain the primary underwriting risk of paying claims, and the Company retains an element of credit risk to providers in the event reimbursement is not received from the group; therefore, claims paid by the Company and the corresponding reimbursement of claims plus administrative fees are netted. Amounts due from ASC groups are equal to the amounts required to pay claims and administrative fees. Administrative fees are earned as services are performed and are calculated based on the number of members in a group or the group's claim experience. Since benefit expenses for ASC arrangements are not the responsibility of the Company, claims paid by the Company and the corresponding reimbursement of claims are not reported in the accompanying statutory basis financial statements. Administrative fee revenues related to ASC arrangements are included as a reduction in operating expenses, cost containment expenses, and other claim adjustment expenses.

2. ACCOUNTING CHANGES AND CORRECTIONS OF ERRORS

SSAP No. 99 - Accounting for Certain Securities Subsequent to an Other-Than-Temporary Impairment. SSAP 99 requires that in periods subsequent to the recognition of an other-than-temporary impairment loss for debt securities, the recognition of premium amortization or accretion of discount be based on the new cost basis of security over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows. This statement is effective for reporting periods beginning January 1, 2009. The adoption of this standard did not have a significant impact on the Company.

SSAP No. 43R – Loan Backed and Structured Securities – Effective September 2009, SSAP No. 43R requires the Company to periodically, at least quarterly, evaluate the collection of all contractual cash flows as probable or not probable. For investments where cash flow collection is probable, the Company uses the retrospective approach to evaluate fair value. For investments in loan-backed and structured securities where cash flow collection is not probable, the Company evaluates fair value based on the present value of the revised estimated cash flows and determines if the fair value of the security has declined below the amortized cost and assesses if that decline is considered to be other than temporary. If the decrease in the fair value of the security is deemed to be other than temporary, or the Company intends to sell the security or does not have the intent and ability to retain the security for a period of time sufficient to recover the amortized cost basis, an other-than-temporary impairment shall be considered to have occurred in the security and the Company will include the difference between the revised fair value and the amortized cost as a realized loss. The adoption of SSAP No. 43R did not have a material impact on the Company's financial position or results of operations nor was there a cumulative effect adjustment needed.

SSAP No. 100 - Fair Value Measurements - Effective December 31, 2010 with early adoption permitted for December 31, 2009, defines fair value for certain financial instruments and establishes a framework for measuring and reporting fair value. The Company has opted to early adopt SSAP No. 100 effective December 31, 2009. As such, financial instruments defined in the guidance, are reported according to fair value hierarchy inputs assigned as Level 1, Level 2 and Level 3. For fair value measurements using significant unobservable inputs (Level 3), the Company will segregate the gains and losses in earnings and describe where those gains and losses are included in earnings, the portion attributable to changes in unrealized gains or losses still held as of the reporting date, and the applicable valuation technique. Early adoption of SSAP No. 100 did not have an impact on the Company's financial position or results of operations.

SSAP No. 10R – Temporary Replacement of SSAP No. 10 – SSAP No. 10 normally allows the Company to recognize gross deferred tax assets ("DTA") in excess of gross deferred tax liabilities ("DTL") only to the extent that the gross DTA in excess of gross DTL are expected to be realized within one year of the balance sheet date, not to exceed ten percent of the company's adjusted capital and surplus. Effective for annual periods ending December 31, 2009 and December 31, 2010, SSAP No. 10R temporarily allows the company to elect to recognize gross DTA in excess of gross DTL expected to be realized within three years of the balance sheet date, not to exceed fifteen percent of the company's adjusted capital and surplus. In years subsequent to December 31, 2010 the company will revert back to the requirements under existing SSAP No. 10.

3. BUSINESS COMBINATIONS – Effective March 31, 2009, the Company received approval from OFIR to merge Michigan Health Insurance Company (MHIC) into LifeSecure Insurance Company (LifeSecure). Prior to the merger, both MHIC and LifeSecure were wholly owned subsidiaries of BCBSM. Upon the merger, MHIC's

certificate of authority was terminated and except for the goodwill and intangible assets all its statutory assets and liabilities, including \$8,591,000 of cash and investments, were assumed by LifeSecure.

4. DISCONTINUED OPERATIONS – NOT APPLICABLE

5. INVESTMENTS

A. Mortgage Loans – NOT APPLICABLE

B. Debt Restructuring – NOT APPLICABLE

C. Reverse Mortgages – NOT APPLICABLE

D. Loan-Backed Securities

Loan-backed securities are stated at the lower of amortized cost or fair value. Premiums and discounts on loan-backed bonds and structured securities are amortized using the retrospective method based on anticipated prepayments at the date of purchase.

Prepayment assumptions are obtained from broker dealer survey values or internal estimates. Changes in estimated cash flows from the original purchases assumptions are accounted for using the prospective method.

The following table reflects, in aggregate, all securities within the scope of SSAP No. 43R, Loan-Backed and Structured Securities, with a recognized other-than-temporary impairment, classified by management's current outlook regarding the security.

	1 Amort Cost Before OTTI	2 OTTI Recog in Loss	(1-2) Fair Value
Aggregate Intent to Sell	\$ 682,721	\$ 45,552	\$ 637,169
Aggregate Intent & Ability to Hold and No Intent to Sell	<u>\$ 29,500,000</u>	<u>\$ 12,672,650</u>	<u>\$ 16,827,350</u>
Total	<u><u>\$ 30,182,721</u></u>	<u><u>\$ 12,718,202</u></u>	<u><u>\$ 17,464,519</u></u>

The Company impaired several loan-backed securities and collateralized debt obligations (CDO) securities during 2009. The CDOs accounted for over 99 percent of the SSAP No. 43(R) impairment. The CDOs were impaired due to the uncertainty regarding the securities probable future cash flow due to lower subordination levels for each CDO. In addition, the fair values of the securities were significantly below book value and it is not reasonable to expect a full recovery over the next three to five years.

The securities, with recognized other-than-temporary impairment, that are currently held by the Company and which present value of cash flows expected to be collected is less than the amortized cost basis of the securities are disclosed in the following table:

CUSIP No.	Amortized		Recognized	Amortized	
	Cost	Projected		Cost	Fair Value
	Before OTTI	Cash Flow	OTTI	After OTTI	12/31/09
007036TM8	\$ 219,842	\$ 200,387	\$ 19,455	\$ 200,387	\$ 200,387
07386HTY7	142,091	135,316	6,775	135,316	135,316
74923PAB9	320,788	301,466	19,322	301,466	301,466
289237AJ8	10,000,000	5,885,000	4,115,000	5,885,000	5,885,000
39807KAK4	6,000,000	3,073,200	2,926,800	3,073,200	3,073,200
783422BW7	3,500,000	2,040,150	1,459,850	2,040,150	2,040,150
783422BX5	<u>10,000,000</u>	<u>5,829,000</u>	<u>4,171,000</u>	<u>5,829,000</u>	<u>5,829,000</u>
Total	<u>\$ 30,182,721</u>	<u>\$ 17,464,519</u>	<u>\$ 12,718,202</u>	<u>\$ 17,464,519</u>	<u>\$ 17,464,519</u>

E. Repurchase Agreements and/or Securities Lending Transactions

- 1) Repurchase Agreements – Not Applicable
- 2) The Company has no pledged assets under security lending transaction agreements.
- 3) The Company, in the normal course of business, enters into security lending agreements with various other counterparties. Under these agreements, the Company lends various securities in exchange for collateral consisting primarily of cash or U.S. government-backed securities, approximating 102% of the value of the securities loaned. The collateral is marked to market on a daily basis. Cash collateral is invested by the custodian banks in a short-term high quality fund. The security lending agreements are primarily overnight in nature and subject to renewal or termination. If the agreement is terminated, the securities are returned to the Company. At December 31, 2009, for its loaned securities, the Company received cash collateral of \$236,438,072 and non-cash collateral of \$497,357. The age of the non-cash collateral is 30 days or less.

F. Real Estate – NOT APPLICABLE**G. Low-Income Housing Tax Credits – NOT APPLICABLE****H. Fair Value Measurements**

The Company adopted SSAP No. 100, Fair Value Measurements as December 31, 2009. SSAP No. 100 defines fair value for certain financial instruments and establishes a framework for measuring and reporting fair value according to hierarchy inputs assigned as Level 1, Level 2 and Level 3.

The Company and its investment managers determine fair values by applying the following guidelines. If available, the Company uses market prices in active markets for identical assets and classifies these assets as Level 1. When market prices for similar financial instruments in an active market are not available, the Company estimates fair value based on pricing models using matrix pricing or price discovery and classifies these assets as Level 2. In situations where there is little or no market activity for same or similar financial instruments, the Company estimates fair value using its own assumptions about future cash flows and appropriate risk-adjusted discount rates and classifies these assets as Level 3.

The following table summarizes the Company's assets recorded at fair value that are measured on a recurring basis at December 31, 2009. (There were no assets measured at fair value on a nonrecurring basis as of December 31, 2009):

	Fair Value Measurements Using			Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Lack of Observable Inputs (Level 3)	
Special revenue and assessment obligations	\$ 6,906,000			\$ 6,906,000
Industrial and miscellaneous	23,881,000		16,827,000	40,708,000
Total bonds	30,787,000		16,827,000	47,614,000
Common stock - non-affiliates	517,634,000	\$ -	\$ -	517,634,000
Total investments	<u>\$548,421,000</u>	<u>\$</u>	<u>\$16,827,000</u>	<u>\$ 565,248,000</u>

Based on market conditions that resulted in the absence of quoted prices in active markets for our auction rated securities and collateralized debt obligations, we changed our valuation methodology for the securities to a discounted cash flow analysis during 2009. Accordingly, on January 1, 2009, these securities changed from Level 2 to Level 3 within SSAP No. 100 hierarchy. The following table presents our assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance at January 1, 2009	\$ -
Transfer to Level 3	29,275,000
Total gains (losses) realized/unrealized	
Included in earnings	(12,673,000)
Included in surplus	225,000
Balance at December 31, 2009	<u>\$ 16,827,000</u>
Total losses included in income attributable to securities held at December 31, 2009	<u>\$ 12,673,000</u>

6. JOINT VENTURES, PARTNERSHIPS, AND LIMITED LIABILITY COMPANIES

- A. The Company has no investments in partnerships or limited liability companies that exceed 10 percent of its admitted assets.
- B. The Company did not recognize any impairment for its investments in partnerships or limited liability companies during the statement period.

7. INVESTMENT INCOME

- A. Investment income due and accrued with amounts that are over 90 days past due will be non-admitted.

- B. No investment income due and accrued was non-admitted at December 31, 2009.
- C. The Company has an established investment impairment policy and continuously monitors its investments for declines in market value below book value that may be other than temporary (OTTI). In accordance with INT 06-07 *Definition of Phrase "Other Than Temporary"*, the Company's investment earnings year-to-date 2009 and 2008, OTTI includes \$47,132,000 and \$120,301,000, respectively, of investment impairment losses for investment securities that have a fair market value less than their carrying value and for which the decline in value was considered by management to be OTTI. Under the provisions of INT 06-07 OTTI does not necessarily mean permanent, but recovery is not expected in the near-term. To determine if a security is OTTI impaired, the Company regularly performs a review of its securities. Factors taken into account for each individual security include: the length of time and extent to which the fair value has been less than cost; the underlying financial condition and the specific circumstances that are impacting the issuer in the marketplace and whether the Company has the intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in value. When evaluating the underlying financial condition of a security the Company generally reviews any debt security with a fair market value below its carrying value by more than 20 percent. Specific criteria for debt securities included: NAIC ratings, interest coverage ratio and ratings outlook. The write-down to fair market value of debt securities resulted in approximately \$32,658,000 and \$72,300,000 in 2009 and 2008, respectively, of OTTI losses.

For equity investments the Company reviewed securities with a fair market value below its carrying value by more the 30 percent. Specific criteria used for equity security OTTI determination included analyst outlook and comparing the carrying value of the investment to target prices determined by rating analysts. The OTTI write-downs to fair market value for equity securities resulted in approximately \$14,474,000 and \$47,900,000 in 2009 and 2008, respectively, of losses.

For investments with market values below cost that were determined not to have OTTI, at December 31, 2009, the Company regularly monitors existing unrealized losses and evaluates potential impairments to determine if OTTI needs to be recorded. For declines in market value related to general market movement in interest rates, securities are not considered impaired, unless the Company has the positive intent to sell the security as of the reporting date.

For loan-backed securities, if the company has the ability and intent to hold the security to maturity, but does not expect recovery of the carrying value, the credit portion of the decline is recognized as an impairment loss. Interest related impairments are not recognized as an impairment loss.

8. DERIVATIVE INSTRUMENTS – NOT APPLICABLE

9. INCOME TAXES

- A. The components of the net deferred tax assets at December 31 are as follows:

(1)	Description	2009			2008		
		Ordinary	Capital	Total	Ordinary	Capital	Total
	Gross deferred tax assets	207,626,308	22,211,479	229,837,787	204,919,143	46,036,550	250,955,693
	Statutory valuation allowance	-	-	-	-	-	-
	Adjusted gross deferred tax assets	207,626,308	22,211,479	229,837,787	204,919,143	46,036,550	250,955,693
	Gross deferred tax liabilities	(69,977,253)	-	(69,977,253)	(51,976,488)	-	(51,976,488)
	Net deferred tax asset (liability) before admissibility test	137,649,055	22,211,479	159,860,534	152,942,655	46,036,550	198,979,205
	Admitted pursuant to ¶10.a.	-	-	-	-	5,045,233	5,045,233
	¶10.b.i.	67,886,431	-	67,886,431	75,758,349	-	75,758,349
	¶10.b.ii.	242,181,111	-	242,181,111	227,069,723	-	227,069,723
	Admitted pursuant to ¶10.b.(lesser of i. or ii.)	67,886,431	-	67,886,431	75,758,349	-	75,758,349
	Admitted pursuant to ¶10.c.	67,886,431	-	67,886,431	51,976,488	-	51,976,488
	Additional admitted pursuant to ¶10.e.i.	-	-	-	-	5,045,233	5,045,233
	¶10.e.ii.a.	47,212,262	-	47,212,262	-	-	-
	¶10.e.ii.b.	363,271,667	-	363,271,667	-	-	-
	Additional admitted pursuant to ¶10.e.ii.(lesser of a. or b.)	47,212,262	-	47,212,262	-	-	-
	Additional admitted pursuant to ¶10.e.iii.	47,212,262	-	47,212,262	-	-	-
	Admitted deferred tax asset	185,075,946	-	185,075,946	127,734,837	5,045,233	132,780,070
	Deferred tax liability	(69,977,253)	-	(69,977,253)	(51,976,488)	-	(51,976,488)
	Net admitted DTA	115,098,693	-	115,098,693	75,758,349	5,045,233	80,803,582
	Nonadmitted DTA	22,550,362	22,211,479	44,761,841	77,184,306	40,991,317	118,175,623

(2) The Company has met necessary Risk-Based Capital levels to be able to admit increased amount of deferred tax assets under SSAP No. 10R and has elected to admit DTA pursuant to paragraph 10.e. of SSAP No. 10R. Such election was not available in 2008.

(3) The Company recorded an increase in admitted DTA as the result of its election to employ the provisions of paragraph 10.e. of \$47,212,262 ordinary.

Change During 2009

Description	Ordinary	Capital	Total
Gross deferred tax assets	2,707,000	(23,825,000)	(21,118,000)
Statutory valuation allowance	-	-	-
Adjusted gross deferred tax assets	2,707,000	(23,825,000)	(21,118,000)
Gross deferred tax liabilities	(18,001,000)	-	(18,001,000)
Net deferred tax asset (liability) before admissibility test	(15,294,000)	(23,825,000)	(39,119,000)
Admitted pursuant to ¶10.a.	-	(5,045,000)	(5,045,000)
¶10.b.i.	(7,872,000)	-	(7,872,000)
¶10.b.ii.	15,111,000	-	15,111,000
Admitted pursuant to ¶10.b.(lesser of i. or ii.)	(7,872,000)	-	(7,872,000)
Admitted pursuant to ¶10.c.	15,910,000	-	15,910,000
Additional admitted pursuant to ¶10.e.i.	-	(5,045,000)	(5,045,000)
¶10.e.ii.a.	47,212,000	-	47,212,000
¶10.e.ii.b.	363,272,000	-	363,272,000
Additional admitted pursuant to ¶10.e.ii.(lesser of a. or b.)	47,212,000	-	47,212,000
Additional admitted pursuant to ¶10.e.iii.	47,212,000	-	47,212,000
Admitted deferred tax asset	57,341,000	(5,045,000)	52,296,000
Deferred tax liability	(18,001,000)	-	(18,001,000)
Change in net admitted DTA or DTL	39,340,000	(5,045,000)	34,295,000
Change in nonadmitted DTA	(54,634,000)	(18,780,000)	(73,414,000)

(4) Description	Total With ¶s 10.a.-c.	Total With ¶s 10.e.	Difference
Admitted DTAs	67,886,000	115,099,000	47,212,000
Admitted assets	137,864,000	185,076,000	47,212,000
Statutory surplus	242,181,000	363,272,000	121,091,000

B. Temporary differences for which a DTL has not been established: N/A

C. Current Tax and Change in Deferred Tax:

Current income taxes incurred consist of the following major components:

Description	2009	2008
Current income tax expense	2,011,000	21,888,000
Capital loss carryback	(10,882,000)	-
Tax planning strategies and other	(15,465,000)	1,687,000
Federal income taxes incurred	(24,336,000)	23,575,000

The tax effects of temporary differences that give rise to significant portions of the deferred tax asset are as follows:

DTAs Resulting From Book/Tax Differences In (000s):	December 31 2009	December 31 2008	Change	Character
Discount of claim reserves	12,712,000	12,871,000	(159,000)	Ordinary
Amounts accrued for premium deficiency	71,911,000	69,488,000	2,423,000	Ordinary
Unrealized capital losses on investments	22,211,000	46,037,000	(23,826,000)	Capital
Amounts accrued for groups	400,000	400,000	-	Ordinary
Accrued expenses and bad debts	13,850,000	22,374,000	(8,524,000)	Ordinary
Amounts accrued for postretirement benefits	108,753,000	99,787,000	8,966,000	Ordinary
Gross DTAs	229,837,000	250,957,000	(21,120,000)	
Nonadmitted DTAs	(44,762,000)	(118,176,000)	73,414,000	

DTLs Resulting From Book/Tax Differences In	December 31 2009	December 31 2008	Change	
Amounts prepaid for pension benefits	15,557,000	10,025,000	5,532,000	Ordinary
Depreciation, amortization	35,669,000	21,178,000	14,491,000	Capital
Sale leaseback transaction	11,541,000	12,701,000	(1,160,000)	Capital
Other	7,210,000	8,072,000	(862,000)	Ordinary
Gross DTLs	69,977,000	51,976,000	18,001,000	

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	December 31 2009	December 31 2008	Change
Total deferred tax assets	229,837,000	250,957,000	(21,120,000)
Total deferred tax liabilities	(69,977,000)	(51,976,000)	(18,001,000)
Net deferred tax asset	159,860,000	198,981,000	(39,121,000)
Tax effect of unrealized [(gains)/losses]			23,826,000
Tax effect on tax planning strategies and other adjustments			18,082,000
Change in net deferred income tax [(charge)/benefit]			2,787,000

- D. The actual effective tax rate differs from the expected Alternative Minimum Tax (AMT) rate of 20 percent primarily due to the tax impact recognized on the timing differences.
- E. Under current tax law, the Company is subject to the 20% AMT rate. Given the preference items afforded Blue Cross and Blue Shield organizations, management believes it is likely to remain an AMT taxpayer. The deferred tax assets are recorded at the AMT tax rate of 20 percent. In addition, the Company has an AMT credit carry forward of \$451,748,000. Even though the credit can be carried forward indefinitely and

will not expire, the credit is not carried as a deferred tax asset as the utilization of the credit will not occur unless the Company's tax preferences as a Blue Cross and Blue Shield organization are legislatively repealed.

- F. The Company and its taxable subsidiaries, Accident Fund, DenteMax (sold on June 30, 2009) and MHIC (merged with LifeSecure on March 31, 2009), file a consolidated 2009 federal income tax return. Each taxable subsidiary is responsible for its own federal tax liability. The Company has/had tax sharing agreements in place with Accident Fund and Dentemax. Another subsidiary, LifeSecure, is also taxable, but existing tax rules do not permit consolidation with non-life entities for the first five years of ownership.
 - G. Effective for tax years beginning in 2009, under GAAP, the Company is required to evaluate all tax positions as to their relative uncertainty/certainty. On examination of all relevant facts and circumstances for the Company's tax issues, it was determined that no valuation allowance for the Company's tax issues was warranted as of December 31, 2009.
 - H. SSAP No. 10R – Temporary Replacement of SSAP No. 10 – SSAP No. 10 normally allows the Company to recognize DTA in excess of DTL only to the extent that the gross DTA in excess of gross DTL are expected to be realized within one year of the balance sheet date, not to exceed ten percent of the Company's adjusted capital and surplus. Effective for annual periods ending December 31, 2009 and December 31, 2010, SSAP No. 10R temporarily allows the Company to elect to recognize gross DTA in excess of gross DTL expected to be realized within three years of the balance sheet date, not to exceed fifteen percent of the Company's adjusted capital and surplus. In years subsequent to December 31, 2010 the Company will revert back to the requirements under existing SSAP No. 10.
10. **INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES AND OTHER RELATED PARTIES**

The Company is incorporated as a nonprofit corporation under the provisions of P.A. 350 of 1980. Hospital, medical and other health benefits are provided under contracts with subscribers. The Company owns 100% of Blue Care Network of Michigan ("BCNM"), a HMO subsidiary that provides health care services to subscribers and contracts with various physician groups, hospitals and other health care providers to provide such services. The Company also owns 100% of Accident Fund Holdings, Inc. ("AFHI"), the holding company of Accident Fund Insurance Company of America ("Accident Fund"), a provider of workers' compensation insurance. Additionally, the Company owns 100% of LifeSecure, a long-term care insurance subsidiary.

The Company has agreements with each of its wholly owned subsidiaries under which both or either parties may provide services to each other. The agreements provide for monthly payments and a year-end settlement based on actual cost of services performed. All related-party receivable and payable balances are recorded as either amounts due to or from subsidiaries and affiliates.

At December 31, 2009 and 2008, BCBSM had receivables from subsidiaries amounting to \$100,977,012 and \$24,481,761, respectively, and payable to subsidiaries of \$33,116,534 and \$51,122,402, respectively.

The receivables are primarily due to management and administrative services performed by the Company. In addition, as described in Note 12, an intercompany receivable in the amount of \$74,732,000 was established for pension and postretirement costs that will be paid to the Company by BCNM over a 20-year period as a result of the BCNM employees becoming BCBSM employees effective January 1,

2009. The outstanding balance of this intercompany receivable as of December 31, 2009 is \$68,458,000.

The payables are primarily attributable to the intercompany tax sharing amounts of \$28,211,235 and \$48,245,798 at 2009 and 2008, respectively for the Company's taxable subsidiaries. BCNM participates in the BCBSM hospital settlement process. As related to that process, BCNM's portion of underpayments due to hospitals or overpayment recoveries from hospitals will be accrued to or paid by the Company as applicable. As of December 31, 2009, settlements due to the Company from BCNM of \$6,704,970 are included in the Company's inter-company receivable. As of December 31, 2009, settlements owed to BCNM of \$3,636,210 are included in the Company's inter-company payable.

No dividends were declared from subsidiaries in 2009 while \$ 2,000,000 was declared in 2008. The Company also performs various claims processing and management services. As of December 31, 2009 and 2008, these services totaled \$1,190,165,000 and \$894,857,212 respectively.

11. DEBT

The Company, as a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"), has short-term, long-term and line of credit borrowing privileges. Outstanding borrowings with FHLBI totaled \$708,522,000 and \$313,421,000 at December 31, 2009 and 2008, respectively. Included in the balances were \$555,635 and \$420,977 in accrued interest for 2009 and 2008, respectively.

The \$46,000,000 acquired in 2006 was borrowed under the FHLBI's Community Investment Program to finance the Company's Detroit Campus Improvement Project which included the construction of a parking garage utilized by Company employees and other land improvements. The term of this loan is for ten years and is subject to floating interest rate provisions that reset every three months based on the FHLBI's cost of funds. Interest is paid monthly on the outstanding balance.

During 2007 through 2009, a total of \$261,966,000 with a term of five years was borrowed to take advantage of favorable borrowing terms. In 2009, \$67,000,000 of borrowing made in 2008 was paid-off but additional short-term advances of \$400,000,000 continued to be used for liquidity and arbitrage purposes. Interest is paid monthly and all loans are collateralized by government securities at 105-110 percent of the outstanding loan balance. The weighted average borrowing rate as of December 31, 2009 and 2008 is 1.66 percent and 2.60 percent, respectively. Total interest paid and accrued as of December 31, 2009 and 2008, was \$12,035,000 and \$10,199,000, respectively. The carrying amount of outstanding debt approximates fair value.

The following table provides a breakdown of outstanding loans as of December 31, 2009 and 2008 along with arbitrage loans borrowed and paid in 2009, made with FHLBI:

<u>Year</u> <u>Originated</u>	<u>Term</u>	<u>Interest</u> <u>Rate</u>	<u>Description</u>	<u>12/31/2009</u> <u>Balance</u>	<u>12/31/2008</u> <u>Balance</u>
2006	10 year	0.18%	FHLBI - BCBSM parking garage	\$ 46,000,000	\$ 46,000,000
2007	5 year	4.14%	FHLBI - BCBSM liquidity and arbitrage	150,000,000	150,000,000
2008	5 year	2.91%	FHLBI - BCBSM liquidity and arbitrage	50,000,000	50,000,000
2008	5 year	2.59%	FHLBI - BCBSM liquidity and arbitrage	61,966,239	
2008	5 year	0.65%	FHLBI - BCBSM liquidity and arbitrage	-	67,000,000
2009	90 days	0.52%	BCBSM arbitrage (paid 10/19/09)*	-	-
2009	90 days	0.50%	BCBSM arbitrage (paid 11/19/09)**	-	-
2009	90 days	0.40%	BCBSM liquidity/arbitrage (due 02/04/10)	200,000,000	
2009	1 year	0.81%	BCBSM liquidity/arbitrage (due 08/16/10)	200,000,000	
Total outstanding loans				\$ 707,966,239	\$ 313,000,000
Accrued interest				555,635	420,977
Ending Balance				<u>\$ 708,521,874</u>	<u>\$ 313,420,977</u>

* \$200,000,000 borrowed and paid in 2009

** \$100,000,000 borrowed and paid in 2009

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POST EMPLOYMENT BENEFITS AND COMPENSATED ABSCENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

A. Defined Benefit Plan

Substantially all employees who meet certain requirements of age and length of service are covered by the Company's defined benefit retirement income plans. Benefits paid to retirees are based on age at retirement, years of credited service and highest monthly average earnings over 60 consecutive months. Revisions to the represented employees' retirement benefits took effect on January 1, 2009. The Company will provide defined benefit cash balance pension program for newly-hired represented employees.

The Company sponsors separate plans for its union and nonunion employees. Under the Company's retirement account plan for non-represented employees, each participant has an account balance to which interest and earnings credits are added. Interest is credited quarterly based on the prior August one-year Treasury bill rate. Earnings credits are credited on a monthly basis based on the table below. Employees can elect to receive the lump-sum value of their vested account balance or monthly payments at retirement or termination.

For employees hired:

	Prior to January 1, 2007	On or after January 1, 2007
Annual earnings credits	6% - 10%	3% - 5%
Annual transition credits through 2008	2%	N/A

The Company's workforce was significantly reduced in 2009 as employees took advantage of the Company- sponsored retirement packages. Upon retirement, most non-bargaining employees elected to receive their accumulated pension benefits as a lump sum payment. Given the large number of retirements and associated lump sum pension settlements, accounting rules require that certain unrecognized pension expense attributable to the retirees be recognized as additional pension expense in 2009. The additional pension expense, attributable to such items as actuarial gains and losses and past plan amendments, is \$42,058,000.

Effective, January 1, 2009, all employees of Blue Care Network, exclusive of employees working at Blue Care Network's health center facilities, became employees of the Company. As part of the employee transfer, the Company assumed responsibility for administering and funding pension and other postretirement benefits for the former Blue Care Network employees and retirees. In exchange for assuming the underfunded pension obligation, a \$2,578,000 intercompany cash transfer was made between Blue Care Network and the Parent company. In exchange for assuming the unfunded postretirement health obligation of \$72,154,000, the parties executed an intercompany transfer agreement, whereby Blue Care Network will repay the obligation assumed by the Company with annual installments, over a 20-year term, of \$3,608,000 annually beginning in 2009.

The Company has developed a pension asset investment policy based on its objectives, characteristics of pension liabilities, capital market expectations, and asset-liability projections. This policy is long-term oriented and consistent with the Company's risk posture and periodically reviewed by the Pension Asset Advisory Committee. The Company uses a mix of core and satellite managers to actively manage pension assets and consistent within the investment manager guidelines, target asset allocations described in the policy. The Company reviews on a periodic basis its asset mix and reallocates its portfolio at any time there is a material deviation in the asset class as described in the allocation policy. The policy includes a target summarized in the table below and a range of plus or minus 3% of the target established. Under the policy, at least 95% of pension assets must normally be invested in publicly-traded stocks and fixed income securities. The only other permitted asset classifications are cash and private equity funds, which combined are targeted at 5% of plan assets. Asset allocations are currently outside of the target range charged due to the fact that market value reductions on equity securities exceed those on debt securities in 2008. Market conditions improved in 2009, bringing asset allocation closet to the target range. The Company will rebalance pension asset allocations as provided in the guidelines as market conditions allow.

The Company's retirement income plan weighted-average target asset allocation and actual asset allocation at September 30, 2009 and 2008, by asset category are as follows:

Asset Category	Target	2009	2008
Equity securities	70.0 %	66.0 %	62.0 %
Debt securities	25.0	26.0	31.0
Other	5.0	8.0	7.0

The Company provides certain health care and selected other benefits to all employees and dependents of employees who retire from active employment or who become disabled and meet the following benefit and service eligibility requirements:

Nonrepresented employees hired:

	Prior to 1/1/04	After 1/1/04 but before 1/1/07	On or after 1/1/07
Years of service required for coverage access	10 after age 45	15 after age 45	15 after age 45
Percentage of benefit cost responsibility	N/A	N/A	100%
Cap on annual increase in health care costs paid by the Company if not retired by 1/1/10 (a)	4%	4%	N/A

(a) This revision took effect January 1, 2009. Any annual increase in cost above 4% must be paid by the plan participant.

Represented employees eligible to retire:

	Prior to 12/31/16	After 12/31/16
Years of service required for coverage access	10 after age 45	15 after age 45
Subject to premium sharing based on selected coverage options and retirement date?	No	Yes

Effective January 1, 2008, and January 1, 2009, all participants in the non-represented plan and the represented plan will be required to enroll in the Medicare Advantage program upon reaching age 65.

This benefit is subject to revision at the discretion of the Company's Chief Executive Officer for non-represented employees and for represented employees, subject to collective bargaining agreements.

A summary of assets, obligations, and assumptions of the pension and other postretirement benefit plans at plan measurement dates of September 30, 2009 and 2008, and as recorded at December 31, 2009 and 2008, are as follows:

- 1) Change in benefit obligation:

BLUE CROSS BLUE SHIELD OF MICHIGAN

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Benefits obligation—beginning of year	\$ 742,982,000	\$871,004,000	\$ 282,958,000	\$ 352,171,000
Service cost	29,811,000	32,416,000	24,048,000	27,964,000
Interest cost	64,349,000	53,869,000	29,335,000	21,411,000
Actuarial loss (gain)	192,968,000	(144,978,000)	108,812,000	(68,250,000)
Benefits and administrative expenses paid	(123,617,000)	(71,292,000)	(23,775,000)	(17,534,000)
Amendments	44,000	1,963,000	(626,000)	(32,804,000)
BCN Merger	93,003,000	-	45,542,000	-
Curtailment/settlement recognition	4,550,000	-	8,709,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Benefits obligation—end of year	<u>\$ 1,004,090,000</u>	<u>\$742,982,000</u>	<u>\$ 475,003,000</u>	<u>\$ 282,958,000</u>

2) Change in plan assets:

	Pension Benefits		Postretirement Benefits	
	2008	2007	2009	2008
Fair value of plan assets—beginning of year	\$ 692,844,000	\$ 901,449,000	\$ -	\$ -
Actual return on plan assets	(5,911,000)	(160,963,000)	-	-
Contributions received	70,955,000	23,551,000	-	-
Inter-plan transfer		(1,818,000)		
Benefits and administrative expenses paid	(121,009,000)	(69,375,000)	-	-
BCN Merger	90,362,000	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fair value of plan assets—end of year	<u>\$727,241,000</u>	<u>\$ 692,844,000</u>	<u>\$ -</u>	<u>\$ -</u>

3) Funded Status:

BLUE CROSS BLUE SHIELD OF MICHIGAN

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Projected benefit obligation	\$ 1,004,090,000	\$ 742,982,000	\$ 475,003,000	\$ 282,958,000
Fair value of plan assets	727,241,000	692,844,000	-	-
Unfunded status	276,849,000	50,138,000	475,003,000	282,958,000
Unamortized prior service cost	(7,342,000)	(8,308,000)	52,086,000	54,309,000
Unrecognized net (loss) gain	(336,105,000)	(102,888,000)	(90,384,000)	18,459,000
Contribution between measurement date and fiscal year end	(708,000)	(599,000)	-	-
Additional minimum liability	272,512,000	1,074,000	-	-
Net pension (asset) liability	<u>\$ 205,206,000</u>	<u>\$ (60,583,000)</u>	<u>\$ 436,705,000</u>	<u>\$ 355,726,000</u>
Remaining (asset) at initiation date of application	\$	\$ (97,052,000)	\$ -	\$ -
(Prepaid nonadmitted assets)		(97,052,000)		
Accrued pension expense included in other liabilities	205,206,000	36,469,000	436,705,000	355,726,000
Information for pension plans with a projected benefit obligation in excess of plan assets:				
Projected benefit obligation	1,004,090,000	23,287,000	-	-
Accumulated Benefit Obligation	933,154,000	21,989,000	-	-
Fair value of plan assets	727,241,000	-	-	-

4) Projected benefit obligation at December 31, 2009 and 2008, for non-vested employees is as follows:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Projected benefit obligation for non-vested employees	\$ 11,325,000	\$ 8,077,000	\$ 112,573,000	\$ 77,872,000

5) Components of net periodic benefit cost at December 31, 2009 and 2008:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Service cost	\$ 29,811,000	\$ 32,416,000	\$ 24,047,000	\$ 27,964,000
Interest cost	64,349,000	53,869,000	29,335,000	21,411,000
Expected return on plan assets	(81,025,000)	(72,127,000)	-	-
Amortization	<u>(2,050,000)</u>	<u>3,332,000</u>	<u>(8,315,000)</u>	<u>(2,796,000)</u>
Net periodic benefit cost	11,085,000	17,490,000	45,067,000	46,579,000
Curtailement/settlement	42,058,000	-	7,872,000	-
Total Benefit Cost	<u>\$ 53,143,000</u>	<u>\$ 17,490,000</u>	<u>\$ 52,939,000</u>	<u>\$ 46,579,000</u>

6) Minimum pension liability adjustment

Pursuant to the guidance contained in SSAP No. 89, Accounting for Pensions, when the accumulated benefit obligation ("ABO") of the pension plan exceeds fair value of plan assets at the measurement date, an additional minimum liability ("AML") is required to be recognized in the Company's financial statements, with a corresponding reduction to statutory surplus. The increase in the AML is largely due to significant decline in the financial markets that occurred in the fourth quarter of 2008, which resulted in lower asset values and discount rates used to measure the pension plan obligations.

7) The assumptions used in determining the actuarial present value of the projected benefit obligations at December 31, 2009 and 2008, as listed above are as follows:

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Discount rate	5.90%	8.45%	6.25%	8.35%
Rate of compensation increase	4.75%	4.75%		
Expected long-term rate of return on plan assets	9.00%	9.00%		

For 2010, the expected long-term rate of return on assets will be 9.00%.

For 2009 measurement purposes, the health care trend rate on covered postretirement benefits is assumed to be 7.36% for 2010, ratably downgrading to 5.00% by 2015 and all years thereafter.

8) Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Point Increase	Point Decrease
Effect on total of service and interest cost components	\$ 6,219,000	\$ 5,263,000
Effect on postretirement benefit obligation	\$55,718,000	\$ 46,835,000

9) At December 31, 2009, the gross benefit payments expected to be paid and Medicare Part D subsidies anticipated to be received by the Company are as follows:

Years Ending December 31	Pension Benefits	Postretirement Benefits	
	Future Benefit Payments	Future Benefit Payments	Anticipated Future Subsidies
2010	\$ 62,600,000	\$ 37,130,000	\$ 1,650,000
2011	46,160,000	37,560,000	1,910,000
2012	48,230,000	38,610,000	2,170,000
2013	57,850,000	40,320,000	2,470,000
2014	65,240,000	42,160,000	2,810,000
2015 through 2018	<u>404,120,000</u>	<u>237,640,000</u>	<u>19,590,000</u>
Total	<u>\$684,200,000</u>	<u>\$433,420,000</u>	<u>\$30,600,000</u>

The fair values of the Company's retirement income plan assets by asset category are as follows:

Fair Value Measurements at September 30, 2009				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash equivalents	\$ 30,144,379	\$ -	\$ -	\$ 30,144,379
Commingled Pension Trust (A)	-	217,550,297	-	217,550,297
Insurance Annuity Contract	765,322	-	-	765,322
Equity securities:				
U.S Companies	253,478,727	472,385	16,916,626	270,867,738
U.S. Treasury securities	-	16,935,055	-	16,935,055
Corporate bonds (B)	7,429,153	130,169,748	4,189,387	141,788,288
Mortgage-backed securities	-	49,191,103	-	49,191,103
Total	\$ 291,817,581	\$ 414,318,588	\$ 21,106,012	\$ 727,242,182

(A) Includes pension master trust's interest in PIMCO Stock Plus Limited Partnership, a commingled fund representing the pension core equity allocation and bench marked against the S&P 500 (\$143,175) and master trust's holding in Capital Guardian Non US Equity Fund, a commingled trust representing the pension's international equity allocation (\$74,374).

(B) Corporate bonds include fixed income securities in separately managed portfolios. The diversified fixed income mandated is targeted at 12.5% of pension assets and is managed by Western. Loomis Sayles manages a high yield fixed income portfolio targeted at 12.5% of pension assets.

	Fair Value Measurements Using Significant Unobservable			
	Inputs (Level 3)			
	Equities	Private Equity Funds	Bonds	Total
Beginning balance at September 30, 2008	\$ 0	\$ 17,799,317	\$ 4,795,631	\$ 22,594,947
Actual return on plan assets:				
Relating to assets still held at the reporting date	(346,286)	(3,839,220)	1,555,864	(2,629,642)
Relating to assets sold during the period	281,297	-	(1,002,970)	(721,673)
Purchases, sales, and settlements	192,058	2,909,970	(3,103,968)	(1,940)
Transfers in and/or out of Level 3	(80,509)	-	1,944,830	1,864,321
Ending balance at September 30, 2009	\$ 46,559	\$ 16,870,066	\$ 4,189,388	\$ 21,106,013

10) The Company contributed \$70,955,000 in 2009 and \$23,551,000 in 2008 to its defined benefit pension plans. As of December 31, 2009, the Corporation expects to contribute \$7,100 to its defined benefit pension plans in 2010.

B. Defined Contribution Plan

Substantially all employees of the Company who have attained the age of 21 years and have completed three months of continuous service are automatically enrolled in one of two employee savings plans, which are qualified under Section 401(k) of the Internal Revenue Code. For both nonrepresented and represented employees, the Company matches 50% of employee contributions up to 10% of biweekly adjusted W-2 wages for employees with one year of continuous service. The IRS limit on elective employee deferrals was \$16,500,000 and \$15,500,000 for 2009 and 2008, respectively. The IRS allowed catch-up contributions for employees who are age 50 or older as of December 31 in the amount of \$5,500,000 and \$5,000,000 for 2009 and 2008, respectively. The Company's expense for matching contributions during 2009 and 2008 totaled approximately \$14,055,000 and \$13,495,000 for 2009 and 2008, respectively.

Nonqualified Plans

Retirement benefits are provided for a group of key employees under nonqualified defined benefit pension plans. The general purpose of the plans is to provide additional retirement benefits to participants who are subject to the contribution and benefit limitations contained in the Internal Revenue Code. Benefits under the plans are unfunded and paid out of the general assets of the Company. The accumulated benefit obligation for these plans, was \$29,108,000 and \$21,989,000 at September 30, 2009 and 2008, respectively.

C. Multi-employer Plans – NOT APPLICABLE

D. Consolidated/Holding Company Plans – NOT APPLICABLE

E. Impact of Modernization Act on Postretirement Benefits

At December 31, 2009, the gross benefit payments expected to be paid and Medicare Part D subsidies anticipated to be received by the Company are as follows:

Years Ending December 31	Pension Benefits	Postretirement Benefits	
	Future Benefit Payments	Future Benefit Payments	Anticipated Future Subsidies
2010	\$ 62,600,000	\$ 37,130,000	\$ 1,650,000
2011	46,160,000	37,560,000	1,910,000
2012	48,230,000	38,610,000	2,170,000
2013	57,850,000	40,320,000	2,470,000
2014	65,240,000	42,160,000	2,810,000
2015 through 2018	<u>404,120,000</u>	<u>237,640,000</u>	<u>19,590,000</u>
Total	<u>\$684,200,000</u>	<u>\$433,420,000</u>	<u>\$ 30,600,000</u>

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

- A. Under the provisions of P.A. 350, the Company must maintain adequate subscriber reserves to comply with Section 403 of the Michigan Insurance Code, which requires authorized insurers to be safe, reliable and entitled to public confidence. As a result, the Company is required to file with OFIR, on an annual basis, its risk-based capital ("RBC") calculation based on the National Association of Insurance Commissioners ("NAIC") model. P.A. 350 requires the Company to maintain a RBC ratio of at least 200% but not to exceed 1,000% of subscriber reserves. In addition, under the terms of the Company's license agreement with the Blue Cross Blue Shield Association ("BCBSA", if the Company's RBC ratio is between 375% and 200%, it is subject to financial monitoring. If the Company's RBC ratio falls below 200%, the license agreement with BCBSA is subject to termination. At December 31, 2009 and 2008, the Company was in compliance with both the OFIR and BCBSA RBC requirements.
- B. BCBSM has no preferred stock outstanding.
- C. Under the provisions of P.A. 350, the Company is deemed a charitable and benevolent institution whose primary purpose is to promote the distribution of healthcare services for all Michigan residents. As such, the Company has no investors or contributed capital.
- D. Dividend payment restriction – NOT APPLICABLE
- E. Surplus Restriction – NOT APPLICABLE
- F. The total amount of advances to surplus not repaid – NOT APPLICABLE
- G. The amount of stock held by BCBSM for special purposes – NOT APPLICABLE
- H. Special surplus funds changes – NOT APPLICABLE
- I. The portion of unassigned funds (surplus) represented or reduced by each item below:

a. Unrealized gains and losses	\$	322,206,647
b. Nonadmitted asset values	\$	202,371,704
c. Provision for reinsurance	\$	0

J. Surplus debentures of similar obligations – NOT APPLICABLE

K. Impact of any restatement due to quasi-reorganization – NOT APPLICABLE

L. Effective dates of all quasi-reorganizations in the prior 10 years – NOT APPLICABLE

14. CONTINGENCIES

A. Contingent Commitments – NOT APPLICABLE

B. Assessments – NOT APPLICABLE

C. Gain Contingencies – NOT APPLICABLE

D. Claims Related Extra Contractual Obligation Lawsuits – NOT APPLICABLE

E. All Other Contingencies

During 2009 several self-funded group customers have filed lawsuits alleging that the Company inappropriately charged certain fees by adding these fees into the amounts billed to the group. As these lawsuits are in the early stages of development and each lawsuit is factually unique, it is not yet possible to make an assessment regarding the probability of an adverse outcome, nor an estimate of the potential range of loss.

The Company is a defendant in numerous lawsuits and involved in other matters arising in the normal course of business primarily related to subscribers' benefits, provider reimbursement issues, such as incentive payments and provider participation arrangements, customer performance guarantees and plan participant disputes.

While the ultimate outcome and estimate of range of potential loss of these lawsuits and others not specifically mentioned cannot be determined at this time, the Company is vigorously defending these matters. Management estimates that these matters will be resolved without material adverse effect on the Company's future financial position or results of operations.

Under the terms of self-funded administrative service contracts with its customers, the Company is subject to audits of claims processed by the Company as well as those processed by its related participating plans in other states. Such audits encompass the accuracy of claims payments made on behalf of customers and the administrative expenses charged to the customer. The Company records an estimated amount for the resolution of customer disputes. Settlements of such disputes are not expected to have a material effect on the Company's financial position or results of operations.

15. LEASES

The Company has entered into various sale-leaseback transactions as of December 31, 2009 and 2008 as follows:

	December 31, 2009	December 31, 2008
RBS Asset Finance Inc. — 4.73% - maturity - 2013	\$ 38,944,479	\$ 48,217,000
RBS Asset — 3.46% - maturity - 2013	21,223,464	26,197,000
RBS Asset — 4.65% - maturity - 2014	24,011,567	-
Banc of America Leasing — 4.75% - maturity - 2013	61,354,947	74,874,000
Banc of America Leasing — 4.75% - maturity - 2014	9,592,690	-
Fifth Third Bank — 5.15% - maturity - 2014	17,776,176	-
Siemens Financial, Inc. — 5.95% - maturity - 2014	14,350,987	-
Total	<u>\$ 187,254,310</u>	<u>\$ 149,288,000</u>

For all sale-leaseback transactions, the sales price of the asset was equal to the net book value, therefore no gains or losses were recognized. The initial term for all sale-leaseback transactions are sixty months and monthly payments are based on a five-year amortization period with a one dollar purchase options to be made at the end of the term of the lease, or within 15 days thereafter.

For all sale-leaseback agreements, the Company is required to maintain letters of credit to collateralize the transaction. All letters of credit are with FHLBI. The table below summarizes outstanding letters of credit related to the sale-leasebacks:

Description	Expiration Date	% of Financed Amount	Notional Amount
RBS Asset	2014	100%	\$ 65,031,037
RBS Asset	2014	100%	25,000,000
Banc of America Leasing & Capital, LLC	2013	105%	78,589,742
Banc of America Leasing & Capital, LLC	2015	110%	10,734,800
Fifth Third Bank	2014	110%	20,503,118
Siemens Financial, Inc	2014	110%	16,537,500

The sale-leaseback transactions have been accounted for under SSAP No. 22, *Leases*, which requires a sale of equipment that is accompanied by a leaseback of all or part of the equipment be accounted for as an operating lease. The rent expense incurred for the years ended December 31, 2009 and 2008, related to the sale-leaseback transactions, was \$37,630,580 and \$20,411,000, respectively.

Future minimum lease payments as of December 31, 2009, in connection with the sale-leaseback transactions are as follows:

**Years Ending
December 31**

2010	\$ 49,649,073
2011	49,649,073
2012	49,649,073
2013	46,327,111
2014	12,018,495
2015 and thereafter	<u>-</u>
Total	<u>\$ 207,292,825</u>

In addition, the Company leases certain computer equipment and office space under various non-cancelable operating leases. Rental expense was \$7,607,000 and \$7,390,000 for 2009 and 2008, respectively. At December 31, 2009, future minimum lease payments are as follows:

**Years Ending
December 31**

2010	\$ 5,748,000
2011	5,178,000
2012	4,444,000
2013	4,162,000
2014	4,276,000
2015 and thereafter	<u>4,401,000</u>
Total	<u>\$ 28,209,000</u>

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK – NOT APPLICABLE

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

The Company, in the normal course of business, enters into security lending agreements with various other counterparties. Under these agreements, the Company maintains a policy with the custodian to lend various securities in exchange for collateral consisting primarily of cash or U.S. government-backed securities, approximating 102% of the value of the securities loaned. The policy adheres to quality, duration, and counter-party risk of various securities loaned. The custodian indemnifies all non-cash risks. The collateral is marked to market on a daily basis. Cash collateral is invested by the custodian banks in a short-term high quality fund. The security lending agreements are primarily overnight in nature and subject to renewal or termination. If the agreement is terminated, the securities are returned to the Company. At December 31, 2009 and 2008, the Company had securities loaned of \$230,562,339 and \$834,927,549, respectively, with corresponding cash collateral of \$236,438,072 and \$851,321,750, respectively and non-cash collateral of \$497,357 and \$5,271,475, respectively.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A. ASO Plans – NOT APPLICABLE

B. ASC Plans - The loss from operations of administrative service contracts (ASC) uninsured plans and the uninsured portion of partially insured plans (ASC plans with stop loss coverage) for the period ended December 31, 2009, are as follows:

BLUE CROSS BLUE SHIELD OF MICHIGAN

	<u>ASC Plans without StopLoss</u>	<u>ASC Plans With StopLoss</u>	<u>Total</u>
Gross reimbursement for medical cost incurred	\$ 5,609,948,086	\$ 5,168,285,914	\$ 10,778,234,000
Gross administrative fees accrued	\$ 344,219,355	\$ 427,402,646	\$ 771,622,001
Gross expenses incurred (claims and administrative)	<u>\$ 5,953,541,079</u>	<u>\$ 5,634,622,830</u>	<u>\$ 11,588,163,909</u>
Total net gain (loss) from operations	<u>\$ 626,362</u>	<u>\$ (38,934,271)</u>	<u>\$ (38,307,909)</u>
Net Underwriting Gain(Loss)	<u>Insured</u>	<u>ASC</u>	<u>Total</u>
Premiums fees and reimbursements	<u>\$ 6,986,394,019</u>	<u>\$ 11,549,856,000</u>	<u>\$ 18,536,250,019</u>
Claims Incurred	\$ 6,395,751,497	\$ 10,778,234,000	\$ 17,173,985,497
Administrative Expenses	<u>\$ 796,718,341</u>	<u>\$ 809,929,909</u>	<u>\$ 1,606,648,251</u>
Total Operating Expenses	\$ 7,192,469,839	\$ 11,588,163,909	\$ 18,780,633,748
Underwriting Loss before PDR	\$ (206,075,819)	\$ (38,307,909)	\$ (244,383,729)
Premium Deficiency Reserve	<u>\$ (12,117,338)</u>	<u>\$ -</u>	<u>\$ (12,117,338)</u>
Underwriting Loss After PDR	<u>\$ (218,193,158)</u>	<u>\$ (38,307,909)</u>	<u>\$ (256,501,066)</u>

The Company expects its premium fees and reimbursements to decline by approximately \$1,400,000,000 in 2010 due to certain large group customers switching from Medicare Advantage to traditional Medicare with complementary coverage.

The (loss) gain from operations of administrative service contracts (ASC) uninsured plans and the uninsured portion of partially insured plans for the period ended December 31, 2008, are as follows:

	ASC Plans without Stoploss	ASC Plans with Stoploss	Total
Gross reimbursement for medical cost incurred	\$ 5,494,059,890	\$ 5,054,246,110	\$ 10,548,306,000
Gross administrative fees accrued	347,657,897	451,963,103	799,621,000
Gross expenses incurred (claims and administrative)	<u>5,845,601,233</u>	<u>5,487,847,804</u>	<u>11,333,449,037</u>
Total net loss from operations	<u>\$ (3,883,446)</u>	<u>\$ 18,361,409</u>	<u>\$ 14,477,963</u>
	Insured	ASC	Total
Premium fees and reimbursements	<u>\$ 6,806,040,211</u>	<u>\$ 11,347,927,000</u>	<u>\$ 18,153,967,211</u>
Claims incurred	6,107,862,995	10,548,306,000	16,656,168,995
Administrative expenses	<u>742,517,887</u>	<u>785,143,037</u>	<u>1,527,660,924</u>
Total operating expenses	<u>6,850,380,882</u>	<u>11,333,449,037</u>	<u>18,183,829,919</u>
Underwriting (loss) gain before PDR	\$ (44,340,671)	\$ 14,477,963	\$ (29,862,708)
Premium Deficiency Reserve	<u>9,264,000</u>		<u>9,264,000</u>
Underwriting (loss) gain after PDR	<u>\$ (35,076,671)</u>	<u>\$ 14,477,963</u>	<u>\$ (20,598,708)</u>

C. Medicare or Similarly Structured Cost Based Reimbursement Contract – NOT APPLICABLE

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS - NOT APPLICABLE

20. OTHER ITEMS

- A. Extraordinary Items – NOT APPLICABLE
- B. Troubled Debt Restructuring – NOT APPLICABLE
- C. Other Disclosures:

Blue Cross Blue Shield Association ("BCBSA") Deposit - As part of its Blue Cross Blue Shield Association ("BCBSA") license requirements, the Company is required to maintain a custodial bank account to assure the payment of claims in the event of the Company's insolvency. The account balance is calculated as a percentage of the Company's unpaid claim liability and consists primarily of marketable securities. The funds in the account are included in the Company's investment portfolio. The Company has the ability to trade and transfer securities within the account as long as the balance in the account is at or above the required minimum. The required balance for the period April 1, 2009 through March 31, 2010, is \$138,700,000. At December 31, 2009, the balance in this custodial account was \$155,857,850.

National Health Care Reform - Addressing the affordability and availability of health insurance, including reducing the number of uninsured, is a major initiative of President Obama and the U.S. Congress, and proposals that may address these issues are pending in the U.S. Congress. The proposals vary and include measures that would change the dynamics of the health care industry and/or the employer's role in the provision of benefits. Any comprehensive health care reform package enacted will likely be phased in over a number of years and would be subject to a broader regulatory process. Because of the unsettled nature of the proposals and the numerous steps required to implement them, the Company remains uncertain as to the ultimate impact these changes will have on its business.

D. Uncollectible Assets on Uninsured plans

At December 31, 2009 and 2008, the Company had admitted assets of \$320,330,382 and \$241,921,772, respectively in accounts receivable for uninsured plans. The Company regularly assesses the collectability of these receivables. Based on Company experience, less than 10 percent of the balance may be uncollectible and are nonadmitted.

E. Business Interruption Insurance Recoveries – NOT APPLICABLE

F. State Transferable Tax Credits - NOT APPLICABLE

G. Subprime Mortgage Related Risk Exposure –

The Company does not engage in sub-prime residential mortgage lending. In addition, the Company does not own any securities within the investment portfolio with sub-prime exposure. The Company does not have any underwriting risk on policies issued for Mortgage Guaranty or Financial Guarantee insurance coverage.

21. EVENTS SUBSEQUENT

Management has evaluated all events subsequent to the balance sheet date of December 31, 2009 through the date of issuance of its statutory basis statements for the year ended December 31, 2009 and has determined that except as set forth below, there are no subsequent events that require disclosure under SSAP No. 9, Subsequent Events.

On February 11, 2010, the Company's board of directors authorized the execution of a financial guarantee agreement with American Fidelity Assurance Company (AFA). The guarantee was required to facilitate the reinsurance transaction between LifeSecure and AFA that was entered into on December 17, 2009. The financial obligation of the guarantee to the Company is expected not to exceed \$10,000,000.

22. REINSURANCE

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- 1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes () No (X)

If yes, give full details.

- 2) Have any policies issued by the company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?

Yes () No (X)

Section 2 – Ceded Reinsurance Report – Part A

- 1) Does the company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes () No (X)

- a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate \$_____.
- b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement? \$0_____.
- 2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes () No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

- 1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the company may consider the current or anticipated experience of the business reinsured in making this estimate \$0_____.
- 2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?

Yes () No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of a liability, taken for such new agreements or amendments?

\$_____.

B. Uncollectible Reinsurance – None

C. Commutation of Ceded Reinsurance - None

23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

- A. The company establishes a liability for experience rated group contracts and portions of Medicare Part D prescription drug contracts as a result of favorable experience based on an actuarial estimate of underwriting gains which will be returned to customers, either as cash refunds or future rate reductions. Liabilities for experience contracts were \$296,555,650 and \$391,986,410 at December 31, 2009 and 2008, respectively. Under terms of most of the experience-rated contracts, recovery, if any, of underwriting losses through future rate increases is not recognized until received.
- B. During 2009 and 2008, net premiums written that are subject to retrospective rating features were \$2,048,930,138 and \$1,996,051,485, respectively, which represents 28% and 29%, respectively, of total net premiums written. As of December 31, 2009 and 2008, there were no receivables for accrued retrospective premiums.

24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

This estimate is based upon historical claims experience modified for current trends and changes in benefit coverage, which could vary as the claims are ultimately settled. Processing expense related to claims is accrued based on an estimate of expenses to process such claims. Revisions in actuarial estimates are reported in the period in which they arise.

25. INTER-COMPANY POOLING ARRANGEMENTS – NOT APPLICABLE

26. STRUCTURED SETTLEMENTS – NOT APPLICABLE

27. HEALTH CARE RECEIVABLES

The Company receives pharmaceutical rebates from third-party pharmacy benefit managers. Rebate accruals are calculated using recent history of rebates received to develop an estimate. Activity for 2007-2009 is summarized as follows:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2009	\$ 26,981,000	\$ 10,334,000	\$ 10,334,000	\$ -	\$ -
9/30/2009	26,396,000	21,541,000	21,541,000	-	-
6/30/2009	26,305,000	41,658,000	41,658,000	-	-
3/31/2009	23,714,000	36,802,000	36,802,000	-	-
12/31/2008	\$ 36,082,000	\$ 43,921,000	\$ 43,921,000	\$ -	\$ -
9/30/2008	22,847,000	45,210,000	45,210,000	-	-
6/30/2008	25,681,000	36,905,000	35,902,000	-	193,000
3/31/2008	25,055,000	31,419,000	31,392,000	-	27,000
12/31/2007	\$ 25,160,000	\$ 32,588,000	\$ 31,867,000	\$ -	\$ 721,000
9/30/2007	34,135,000	37,721,000	36,419,000	-	721,000
6/30/2007	21,429,000	34,286,000	33,565,000	-	721,000
3/31/2007	32,987,000	28,948,000	28,227,000	-	721,000

28. PARTICIPATING POLICIES – NOT APPLICABLE**29. PREMIUM DEFICIENCY RESERVES**

SSAP No. 54 requires companies to record an additional liability known as a premium deficiency reserve when expected claim payments or incurred costs, claim adjustment expenses and administration costs exceed the premiums to be collected for the remainder of a contract period.

Effective 2008, a state prescribed practice was issued by OFIR which limits the premium deficiency reserve for the company's individual lines of business to no more than two years. In prior years, a provision for all individual business losses that could be reasonably foreseen was determined. At December 31, 2009 and 2008, if the provision for all individual business losses provided for all reasonably expected individual losses, an additional liability of \$248,500,000 and \$196,600,000 respectively, would be recorded in the statutory statements.

BLUE CROSS BLUE SHIELD OF MICHIGAN

Premium deficiency reserves at December 31, 2009 and 2008, consist of the following:

	Balance 1/1/2009	Additional Reserve	Amortization	Balance 12/31/2009
MICChild	\$ 11,200,000	\$ 14,100,000	\$ 14,871,000	\$ 10,429,000
Individual	209,700,000	(21,958,000)	103,812,000	83,930,000
Medicare Complementary	<u>126,500,000</u>	<u>201,026,000</u>	<u>62,332,000</u>	<u>265,194,000</u>
Total	<u>\$ 347,400,000</u>	<u>\$ 193,168,000</u>	<u>\$ 181,015,000</u>	<u>\$ 359,553,000</u>

	Balance 1/1/2008	Additional Reserve	Amortization	Balance 12/31/2008
MICChild	\$ 10,800,000	\$ 15,100,000	\$ 14,700,000	\$ 11,200,000
Individual	136,600,000	115,600,000	42,500,000	209,700,000
Medicare Complementary	<u>209,300,000</u>	<u>(15,200,000)</u>	<u>67,600,000</u>	<u>126,500,000</u>
Total	<u>\$ 356,700,000</u>	<u>\$ 115,500,000</u>	<u>\$ 124,800,000</u>	<u>\$ 347,400,000</u>

Projected Loss by Year	MICChild	Individual	Medicare Comp	Total
2010 year	\$ 10,429,000	\$ 44,651,000	\$ 141,649,000	\$ 196,729,000
2011 year	<u>-</u>	<u>39,279,000</u>	<u>123,545,000</u>	<u>162,824,000</u>
	<u>\$ 10,429,000</u>	<u>\$ 83,930,000</u>	<u>\$ 265,194,000</u>	<u>\$ 359,553,000</u>

The MICChild premium deficiency reserve ("PDR") was established for the anticipated losses on the state sponsored insurance program, which provides health and dental benefits for uninsured children of Michigan's working families. The \$11,200,000 balance at January 1, 2009 was the estimated loss for the contract period in effect ended September 30, 2009. At October 1, 2009, the Company established a new premium deficiency reserve of \$14,100,000 based on a current valuation of anticipated losses for the contract period ending September 30, 2010. At December 31, 2009 the outstanding balance of \$10,400,000 represents anticipated losses for the current contract period. For the 2008 and 2009 contract years, an agreement with the state of Michigan limits the Company's annual underwriting loss from the MICChild program to \$15,500,000 per year, as such, a receivable for excess losses of \$28,834,000 was established at December 31, 2009.

The premium deficiency reserve for the Company's individual business and the Medicare complimentary business were established for anticipated losses for the contract years 2010 through 2011, primarily due to expected future premium rate increases being insufficient to cover future benefit trends.

30. ANTICIPATED SALVAGE AND SUBROGATION

Coordination of Benefit Recoveries	2009	2008
2005 Accident Year	-	6,686
2006 Accident Year	3,994	(35,605)
2007 Accident Year	6,411	2,495,245
2008 Accident Year	3,001,008	21,985,722
2009 Accident Year	26,105,110	

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] N/A []

1.3

State regulating?

Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]

2.2

If yes, date of change:

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2007

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2007

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

04/30/2009

3.4

By what department or departments?

Michigan

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [] No [] N/A [X]

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [] No [] N/A [X]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes [] No [X]

4.12

renewals?

Yes [] No [X]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes [] No [X]

4.22

renewals?

Yes [] No [X]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]

5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Co. Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2

If yes,

7.21

State the percentage of foreign control

.....%

7.22

State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]

8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche, Suite 900, 600 Renaissance Center, Detroit, Michigan 48243-1704

10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Dave Nelson FSA MAAA Vice President and Chief Actuary

Blue Cross Blue Shield of Michigan, 600 E. Lafayette, MC 2010, Detroit, Michigan 48226

11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [] No [X]

11.11

Name of real estate holding company

11.12

Number of parcels involved

.....

11.13

Total book/adjusted carrying value

.....

11.2

If yes, provide explanation.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [☐]

No [☐]

12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [☐]

No [☐]

12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [☐]

No [☐]

N/A [☐]

13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [☒]

No [☐]

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.

13.11

If the response to 13.1 is No, please explain:

13.2

Has the code of ethics for senior managers been amended?

Yes [☐]

No [☒]

13.21

If the response to 13.2 is Yes, provide information related to amendment(s).

13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [☐]

No [☒]

13.31

If the response to 13.3 is yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes [☒]

No [☐]

15.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes [☒]

No [☐]

16.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [☒]

No [☐]

FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [☐]

No [☒]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11

To directors or other officers

\$.....0

18.12

To stockholders not officers

\$.....0

18.13

Trustees, supreme or grand (Fraternal only)

\$.....0

18.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21

To directors or other officers

\$.....0

18.22

To stockholders not officers

\$.....0

18.23

Trustees, supreme or grand (Fraternal only)

\$.....0

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [☐]

No [☒]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21

Rented from others

.....

19.22

Borrowed from others

.....

19.23

Leased from others

.....

19.24

Other

.....

20.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [☐]

No [☒]

20.2

If answer is yes:

20.21

Amount paid as losses or risk adjustment

.....

20.22

Amount paid as expenses

.....

20.23

Other amounts paid

.....

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [☒]

No [☐]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount.

\$.....0

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 22.3)?

Yes [☒]

No [☐]

22.2

If no, give full and complete information relating thereto.

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 16 where this information is also provided).
Off balance sheet cash collateral is \$236,438,072 and non-cash is \$497,357 (BCBSM participates in third party custodial agreement)
The fair value is \$230,562,339 (BCBSM participates in third party custodial agreement)

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [☒]

No [☐]

N/A [☐]

22.5

If answer to 22.4 is yes, report amount of collateral.

\$.....236,935,429

22.6

If answer to 22.4 is no, report amount of collateral.

.....

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3)

Yes [☒]

No [☐]

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Subject to repurchase agreements

23.22 Subject to reverse repurchase agreements

23.23 Subject to dollar repurchase agreements

23.24 Subject to reverse dollar repurchase agreements

23.25 Pledged as collateral

23.26 Placed under option agreements

23.27 Letter stock or securities restricted as to sale

23.28 On deposit with state or other regulatory body

23.29 Other
- \$.....0

\$.....0

\$.....0

\$.....0

\$.....974,821,204

\$.....0

\$.....0

\$.....0

\$.....0

23.3 For category (23.27) provide the following:

1	2	3
Nature of Restriction	Description	Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.
- Yes []

No [X]

Yes []

No []

N/A [X]

- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?
- 25.2 If yes, state the amount thereof at December 31 of the current year:
- Yes [X]

No []

\$.....230,000

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?
- Yes [X]

No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
State Street Bank & Trust	801 Pennsylvania, Kansas City, MO 64105
Federal Home Loan Bank of Indianapolis	8250 Woodfield Crossing, Indianapolis IN 46240
Fidelity Investments	100 Magellan Way, Covington, KY 41015

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

- 26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?
- Yes []

No [X]

26.04 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address
105377	Loomis Sayles	One Financial Center, Boston, MA 02111
106810	Munder Capital Management	480 Pierce St Birmingham, MI 48009-6059
108518	Snyder Capital Management, LP	1, Market Plaza, Steauart Tower,Suite 1200 San Francisco, CA 94104
105958	The Vanguard Group	PO Box 2900 Valley Forge, PA 19482
110441	Western Asset Management Co	385 East Colorado Blvd, Pasadena, CA 91101
50584	Piedmont Investment Addvisors, LLC	411 West Chapel Hill Street, Suite 1100 Durham, NC 27601
113538	Atlanta Life Investment Advisors	Herndon Plaza 100 Auburn Ave, NE Atlanta, GA 30303

- 27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?
- Yes [X]

No []

27.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adj.Carrying Value
78462F 10 3	Spy Exchange Traded Funds	144,206,369
921913 30 7	Vanguard Structured L/C	82,576,985
722005 62 6	PIMCO All Assets	13,806,523
27.2999. TOTAL		240,589,877

27.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation
Spy Exchange Traded Funds	Exxon Mobil	4,701,128	12/31/2009
Vanguard Structured L/C	Exxon Mobil	3,385,656	12/31/2009
PIMCO All Assets	NONE - Fund of Funds		

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds.....	.....3,288,459,597	.....3,370,930,993	.....82,471,396
28.2 Preferred stocks.....	.....528,283	.....784,332	.....256,049
28.3 Totals.....	.....3,288,987,880	.....3,371,715,325	.....82,727,445

- 28.4 Describe the sources or methods utilized in determining the fair values:
NAIC/SVO and Custodians
-

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

- 29.1

Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes [X]

No []
- 29.2

If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes [X]

No []
- 29.3

If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

- 30.1

Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X]

No []
- 30.2

If no, list exceptions:

OTHER

- 31.1

Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$.....9,572,778
- 31.2

List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Blue Cross Blue Shield Association	9,296,856

- 32.1

Amount of payments for legal expenses, if any?

\$.....4,162,425
- 32.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Dickinson Wright	2,789,724

- 33.1

Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$.....254,960
- 33.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid

BLUE CROSS BLUE SHIELD OF MICHIGAN
GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [X] No []
- 1.2

If yes, indicate premium earned on U.S. business only

\$.....265,542,889
- 1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....0
- 1.31

Reason for excluding

- 1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$.....0
- 1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$.....414,181,636
- 1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$.....265,542,889

1.62

Total incurred claims

\$.....414,181,637

1.63

Number of covered lives

.....209,186

All years prior to most current three years:

1.64

Total premium earned

\$.....0

1.65

Total incurred claims

\$.....0

1.66

Number of covered lives

.....0
- 1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$.....0

1.72

Total incurred claims

\$.....0

1.73

Number of covered lives

.....0

All years prior to most current three years:

1.74

Total premium earned

\$.....0

1.75

Total incurred claims

\$.....0

1.76

Number of covered lives

.....0

2.

Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	.....6,855,338,281	.....6,835,648,247
2.2 Premium Denominator.....	.....6,855,338,281	.....6,835,648,247
2.3 Premium Ratio (2.1/2.2).....	.....100.0	.....100.0
2.4 Reserve Numerator.....	.....1,565,989,226	.....1,623,474,733
2.5 Reserve Denominator.....	.....1,565,989,226	.....1,623,474,733
2.6 Reserve Ratio (2.4/2.5).....	.....100.0	.....100.0

- 3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits?

Yes [] No [X]
- 3.2

If yes, give particulars:

- 4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []
- 4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [X] No []
- 5.1

Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]
- 5.2

If no, explain:

Blue Cross Blue Shield of Michigan does not utilize stop-loss reinsurance due to the size and stability of the business and sufficient levels of capitalization

- 5.3

Maximum retained risk (see instructions):

5.31

Comprehensive medical

\$.....0

5.32

Medical only

\$.....0

5.33

Medicare supplement

\$.....0

5.34

Dental and vision

\$.....0

5.35

Other limited benefit plan

\$.....0

5.36

Other

\$.....0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Maintain a restricted custodial bank account determined on the basis of a formula set by BCBSA and continuation insurance coverage with Collins and Associates.

- 7.1

Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [] No [X]
- 7.2

If no, give details:

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

.....41,397

8.2

Number of providers at end of reporting year

.....43,840

- 9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [X] No []
- 9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

\$.....0

9.22

Business with rate guarantees over 36 months

\$.....0

- 10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts?

Yes [X] No []
- 10.2

If yes:

10.21

Maximum amount payable bonuses

\$.....47,608,502

10.22

Amount actually paid for year bonuses

\$.....47,608,502

10.23

Maximum amount payable withholds

\$.....0

10.24

Amount actually paid for year withholds

\$.....0

BLUE CROSS BLUE SHIELD OF MICHIGAN
GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

11.13 An Individual Practice Association (IPA), or

11.14 A Mixed Model (combination of above)?

Yes []

No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes []

No [X]

11.3 If yes, show the name of the state requiring such net worth.

11.4 If yes, show the amount required.

N/A.....

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes []

No [X]

11.6 If the amount is calculated, show the calculation:

12. List service areas in which reporting entity is licensed to operate:

1

Name of Service Area

Michigan

13.1 Do you act as a custodian for health savings account?

Yes []

No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

.....

13.3 Do you act as an administrator for health savings accounts?

Yes []

No [X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

.....

BLUE CROSS BLUE SHIELD OF MICHIGAN
FIVE-YEAR HISTORICAL DATA

	1 2009	2 2008	3 2007	4 2006	5 2005
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26).....	6,182,476,671	5,127,545,355	5,418,152,286	5,237,887,264	4,846,088,978
2. Total liabilities (Page 3, Line 22).....	3,620,246,663	2,900,138,842	3,012,063,208	2,736,443,080	2,385,068,109
3. Statutory surplus.....	2,562,230,008	2,227,406,513	2,406,089,078	2,501,444,184	2,461,020,869
4. Total capital and surplus (Page 3, Line 31).....	2,562,230,008	2,227,406,513	2,406,089,078	2,501,444,184	2,461,020,869
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	6,986,393,893	6,806,040,210	6,169,179,593	5,805,419,538	5,523,155,022
6. Total medical and hospital expenses (Line 18).....	6,395,751,497	6,107,862,995	5,685,387,252	5,205,222,315	4,764,024,261
7. Claims adjustment expenses (Line 20).....	292,544,193	245,471,136	214,473,405	179,680,979	162,363,543
8. Total administrative expenses (Line 21).....	542,482,269	482,568,788	476,968,610	446,184,971	382,867,090
9. Net underwriting gain (loss) (Line 24).....	(256,501,066)	(20,598,709)	(318,926,674)	808,273	104,500,128
10. Net investment gain (loss) (Line 27).....	241,495,372	62,719,392	224,087,974	181,831,855	145,840,683
11. Total other income (Lines 28 plus 29).....	3,248,849	(14,421,621)	70,167,452	11,930,239	12,790,186
12. Net income or (loss) (Line 32).....	12,579,275	4,124,919	16,184,425	158,926,121	193,004,312
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	(111,885,115)	(72,861,855)	244,386,022	257,818,197	299,679,672
Risk-Based Capital Analysis					
14. Total adjusted capital.....	2,562,230,008	2,227,406,513	2,406,089,078	2,501,444,184	2,461,020,869
15. Authorized control level risk-based capital.....	394,335,822	338,214,279	348,173,506	317,971,740	276,012,909
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7).....	1,667,179	1,730,312	2,581,219	2,569,448	2,540,301
17. Total member months (Column 6, Line 7).....	20,470,544	20,913,922	30,992,554	30,854,629	30,862,149
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100 .0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Line 18 plus Line 19)	91.5	89.7	100.0	100.0	100.0
20. Cost containment expenses.....	1.8	1.4	1.4	1.1	0.8
21. Other claims adjustment expenses.....	2.4	2.2	2.1	2.0	2.1
22. Total underwriting deductions (Line 23).....	103.7	100.3	105.2	100.0	98.1
23. Total underwriting gain (loss) (Line 24).....	(3.7)	(0.3)	(5.2)	0.0	1.9
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13 Col. 5).....	611,438,173	554,051,907	551,239,223	450,712,757	458,613,882
25. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	650,538,313	669,330,578	613,072,649	469,080,844	481,433,976
Investments in Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1).....					
27. Affiliated preferred stocks (Sch D. Summary, Line 18, Col. 1).....					
28. Affiliated common stocks (Sch D. Summary, Line 24, Col. 1).....	1,149,787,380	993,625,630	968,891,058	1,024,332,105	920,545,469
29. Affiliated short-term investments (subtotal included in Sch. DA, Verification, Column 5, Line 10).....					
30. Affiliated mortgage loans on real estate.....					
31. All other affiliated.....					
32. Total of above Lines 26 to 31.....	1,149,787,380	993,625,630	968,891,058	1,024,332,105	920,545,469

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [] No []

If no, please explain:

BLUE CROSS BLUE SHIELD OF MICHIGAN
SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

		1	Direct Business Only							9
			2	3	4	5	6	7	8	
State, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums and Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama.....AL	...N.....							.....0	.....
2.	Alaska.....AK	...N.....							.....0	.....
3.	Arizona.....AZ	...N.....							.....0	.....
4.	Arkansas.....AR	...N.....							.....0	.....
5.	California.....CA	...N.....							.....0	.....
6.	Colorado.....CO	...N.....							.....0	.....
7.	Connecticut.....CT	...N.....							.....0	.....
8.	Delaware.....DE	...N.....							.....0	.....
9.	District of Columbia.....DC	...N.....							.....0	.....
10.	Florida.....FL	...N.....							.....0	.....
11.	Georgia.....GA	...N.....							.....0	.....
12.	Hawaii.....HI	...N.....							.....0	.....
13.	Idaho.....ID	...N.....							.....0	.....
14.	Illinois.....IL	...N.....							.....0	.....
15.	Indiana.....IN	...N.....							.....0	.....
16.	Iowa.....IA	...N.....							.....0	.....
17.	Kansas.....KS	...N.....							.....0	.....
18.	Kentucky.....KY	...N.....							.....0	.....
19.	Louisiana.....LA	...N.....							.....0	.....
20.	Maine.....ME	...N.....							.....0	.....
21.	Maryland.....MD	...N.....							.....0	.....
22.	Massachusetts.....MA	...N.....							.....0	.....
23.	Michigan.....MI	...L.....	5,324,452,911	1,181,964,998		350,705,744			6,857,123,653	
24.	Minnesota.....MN	...N.....							.....0	.....
25.	Mississippi.....MS	...N.....							.....0	.....
26.	Missouri.....MO	...N.....							.....0	.....
27.	Montana.....MT	...N.....							.....0	.....
28.	Nebraska.....NE	...N.....							.....0	.....
29.	Nevada.....NV	...N.....							.....0	.....
30.	New Hampshire.....NH	...N.....							.....0	.....
31.	New Jersey.....NJ	...N.....							.....0	.....
32.	New Mexico.....NM	...N.....							.....0	.....
33.	New York.....NY	...N.....							.....0	.....
34.	North Carolina.....NC	...N.....							.....0	.....
35.	North Dakota.....ND	...N.....							.....0	.....
36.	Ohio.....OH	...N.....							.....0	.....
37.	Oklahoma.....OK	...N.....							.....0	.....
38.	Oregon.....OR	...N.....							.....0	.....
39.	Pennsylvania.....PA	...N.....							.....0	.....
40.	Rhode Island.....RI	...N.....							.....0	.....
41.	South Carolina.....SC	...N.....							.....0	.....
42.	South Dakota.....SD	...N.....							.....0	.....
43.	Tennessee.....TN	...N.....							.....0	.....
44.	Texas.....TX	...N.....							.....0	.....
45.	Utah.....UT	...N.....							.....0	.....
46.	Vermont.....VT	...N.....							.....0	.....
47.	Virginia.....VA	...N.....							.....0	.....
48.	Washington.....WA	...N.....							.....0	.....
49.	West Virginia.....WV	...N.....							.....0	.....
50.	Wisconsin.....WI	...N.....							.....0	.....
51.	Wyoming.....WY	...N.....							.....0	.....
52.	American Samoa.....AS	...N.....							.....0	.....
53.	Guam.....GU	...N.....							.....0	.....
54.	Puerto Rico.....PR	...N.....							.....0	.....
55.	U.S. Virgin Islands.....VI	...N.....							.....0	.....
56.	Northern Mariana Islands.....MP	...N.....							.....0	.....
57.	Canada.....CN	...N.....							.....0	.....
58.	Aggregate Other alien.....OT	...XXX.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
59.	Subtotal.....	...XXX.....	5,324,452,911	1,181,964,998	.....0	350,705,744	.....0	.....0	6,857,123,653	.....0
60.	Reporting entity contributions for Employee Benefit Plans.....	...XXX.....							.....0	
61.	Total (Direct Business).....	(a).....1	5,324,452,911	1,181,964,998	.....0	350,705,744	.....0	.....0	6,857,123,653	.....0

DETAILS OF WRITE-INS

5801. ....								.....0	.....
5802. ....								.....0	.....
5803. ....								.....0	.....
5898. Summary of remaining write-ins for line 58.....		.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0
5899. Total (Lines 5801 thru 5803 + 5898) (Line 58 above).....		.....0	.....0	.....0	.....0	.....0	.....0	.....0	.....0

Explanation of basis of allocation by states, premiums by state, etc.
All Premiums Written on Michigan

(a) Insert the number of L responses except for Canada and Other Alien.

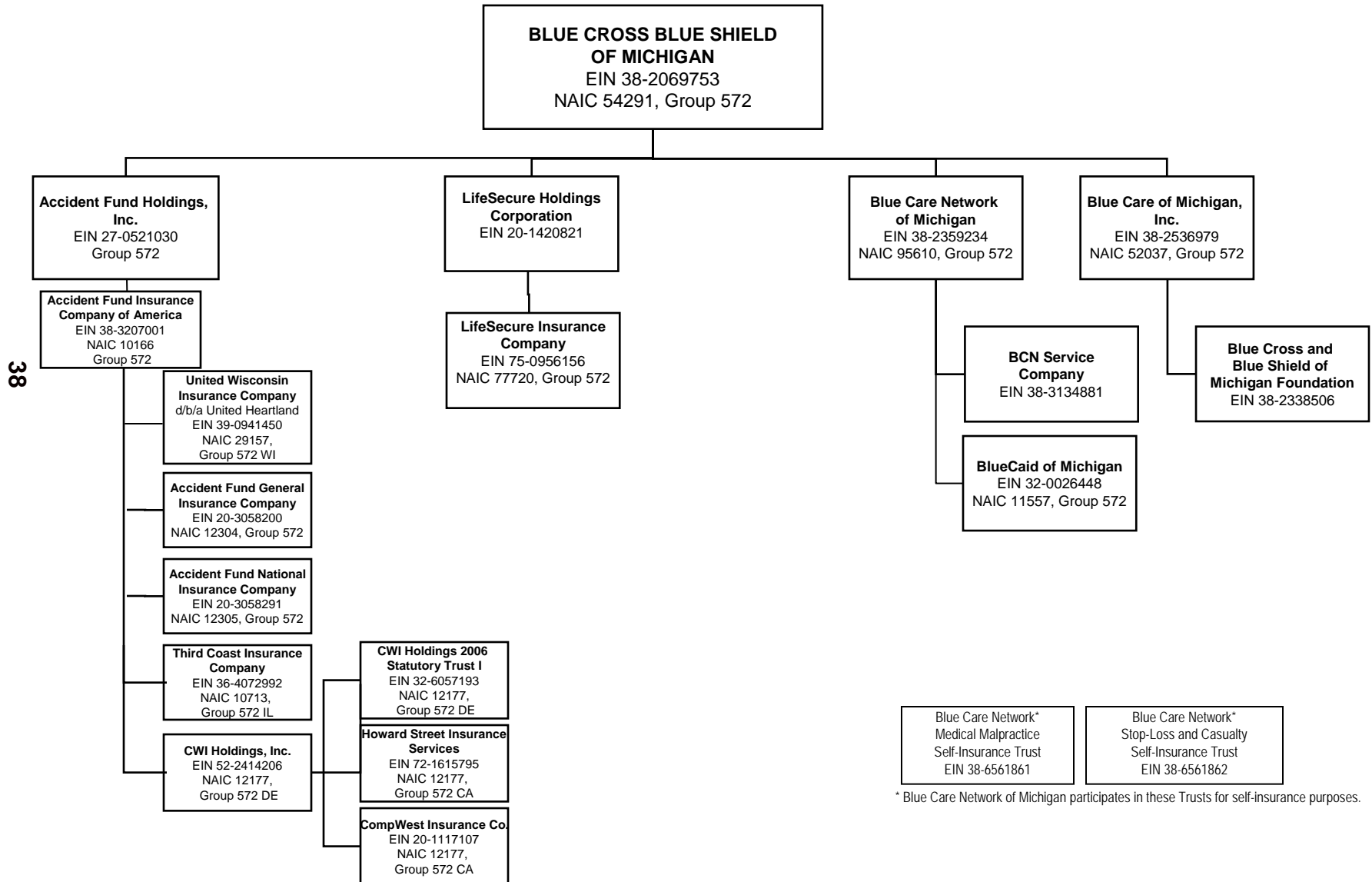


Blue Cross
Blue Shield
of Michigan

A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

BLUE CROSS BLUE SHIELD OF MICHIGAN

SUBSIDIARY & AFFILIATE ORGANIZATION CHART



All entities that do not reflect a particular state abbreviation are domiciled in Michigan.

2009 ALPHABETICAL INDEX
HEALTH ANNUAL STATEMENT BLANK

Exhibit of Nonadmitted Assets	16	Schedule DB – Part D – Section 2	E23
Analysis of Operations By Lines of Business	7	Schedule DB – Part D – Section 3	E23
Assets	2	Schedule DB – Part D – Verification Between Years	SI13
Cash Flow	6	Schedule DB – Part E – Section 1	E24
Exhibit 1 – Enrollment By Product Type for Health Business Only	17	Schedule DB – Part E – Verification	SI13
Exhibit 2 – Accident and Health Premiums Due and Unpaid	18	Schedule DB – Part F – Section 1	SI14
Exhibit 3 – Health Care Receivables	19	Schedule DB – Part F – Section 2	SI15
Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus	20	Schedule E – Part 1 – Cash	E25
Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates	21	Schedule E – Part 2 – Cash Equivalents	E26
Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates	22	Schedule E – Part 3 – Special Deposits	E27
Exhibit 7 – Part 1 – Summary of Transactions With Providers	23	Schedule E – Verification Between Years	SI16
Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries	23	Schedule S – Part 1 – Section 2	30
Exhibit 8 – Furniture, Equipment and Supplies Owned	24	Schedule S – Part 2	31
Exhibit of Capital Gains (Losses)	15	Schedule S – Part 3 – Section 2	32
Exhibit of Net Investment Income	15	Schedule S – Part 4	33
Exhibit of Premiums, Enrollment and Utilization (State Page)	29	Schedule S – Part 5	34
Five-Year Historical Data	28	Schedule S – Part 6	35
General Interrogatories	26	Schedule T – Part 2 – Interstate Compact	37
Jurat Page	1	Schedule DA – Part 1	E17
Liabilities, Capital and Surplus	3	Schedule DA – Verification Between Years	SI11
Notes To Financial Statements	25	Schedule DB – Part A – Section 1	E18
Overflow Page For Write-ins	41	Schedule DB – Part A – Section 2	E18
Schedule A – Part 1	E01	Schedule DB – Part A – Section 3	E19
Schedule A – Part 2	E02	Schedule DB – Part A – Verification Between Years	SI12
Schedule A – Part 3	E03	Schedule DB – Part B – Section 1	E19
Schedule A – Verification Between Years	SI02	Schedule DB – Part B – Section 2	E20
Schedule B – Part 1	E04	Schedule DB – Part B – Section 3	E20
Schedule B – Part 2	E05	Schedule DB – Part B – Verification Between Years	SI12
Schedule B – Part 3	E06	Schedule DB – Part C – Section 1	E21
Schedule B – Verification Between Years	SI02	Schedule DB – Part C – Section 2	E21
Schedule BA – Part 1	E07	Schedule DB – Part C – Section 3	E22
Schedule BA – Part 2	E08	Schedule DB – Part D – Verification Between Years	SI13
Schedule BA – Part 3	E09	Schedule DB – Part E – Section 1	E24
Schedule BA – Verification Between Years	SI03	Schedule DB – Part E – Verification	SI13
Schedule D – Part 1	E10	Schedule DB – Part F – Section 1	SI14
Schedule D – Part 1A – Section 1	SI05	Schedule DB – Part F – Section 2	SI15
Schedule D – Part 1A – Section 2	SI08	Schedule E – Part 1 – Cash	E25
Schedule D – Part 2 – Section 1	E11	Schedule E – Part 2 – Cash Equivalents	E26
Schedule D – Part 2 – Section 2	E12	Schedule E – Part 3 – Special Deposits	E27
Schedule D – Part 3	E13	Schedule E – Verification Between Years	SI16
Schedule D – Part 4	E14	Schedule S – Part 1 – Section 2	30
Schedule D – Part 5	E15	Schedule S – Part 2	31
Schedule D – Part 6 – Section 1	E16	Schedule S – Part 3 – Section 2	32
Schedule D – Part 6 – Section 2	E16	Schedule S – Part 4	33
Schedule D – Summary By Country	SI04	Schedule S – Part 5	34
Schedule D – Verification Between Years	SI03	Schedule S – Part 6	35
Schedule DA – Part 1	E17	Schedule T – Part 2 – Interstate Compact	37
Schedule DA – Verification Between Years	SI11	Schedule T – Premiums and Other Considerations	36
Schedule DB – Part A – Section 1	E18	Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	38
Schedule DB – Part A – Section 2	E18	Schedule Y - Part 2 – Summary of Insurer's Transactions With Any Affiliates	39
Schedule DB – Part A – Section 3	E19	Statement of Revenue and Expenses	4
Schedule DB – Part A – Verification Between Years	SI12	Summary Investment Schedule	SI01
Schedule DB – Part B – Section 1	E19	Supplemental Exhibits and Schedules Interrogatories	40
Schedule DB – Part B – Section 2	E20	Underwriting and Investment Exhibit – Part 1	8
Schedule DB – Part B – Section 3	E20	Underwriting and Investment Exhibit – Part 2	9
Schedule DB – Part B – Verification Between Years	SI12	Underwriting and Investment Exhibit – Part 2A	10
Schedule DB – Part C – Section 1	E21	Underwriting and Investment Exhibit – Part 2B	11
Schedule DB – Part C – Section 2	E21	Underwriting and Investment Exhibit – Part 2C	12
Schedule DB – Part C – Section 3	E22	Underwriting and Investment Exhibit – Part 2D	13
Schedule DB – Part C – Verification Between Years	SI13	Underwriting and Investment Exhibit – Part 3	14
Schedule DB – Part D – Section 1	E22		